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WORLD NEWS

Soviet Union mourns death of Sakharov

Dr Andrei Sakharov, the father figure of the Soviet Union's human rights movement, died aged 68 at his Moscow home. The entire Soviet Congress of People's Deputies stood for a minute's silence in tribute to the man who abandoned the privileges of a brilliant scientific career to fight for political freedom for Soviet dissidents. Page 22

Terrorism warning

A formal warning about possible terrorist attacks against targets in western Europe or western Africa, including against Americans, was issued by the US State Department. The warning comes within a few days of the anniversary of the bombing of Pan Am flight 103 over Lockerbie in Scotland. The Scottish Lord Advocate yesterday announced a fatal accident inquiry to be held next year into the disaster. Page 4

Panama 'in state of war'

Panama's National Assembly of Representatives declared, on national radio that the country was in a state of war with the US and named its de facto ruler, General Manuel Antonio Noriega, as head of government.

Open skies plan

Nato foreign ministers agreed on an "open skies" proposal for frequent aerial surveillance by Nato and Warsaw Pact countries of each other's territory to enhance mutual confidence. Page 22

Mercenaries surrender

French mercenaries, led by Col Bob Denard, surrendered control of the Comoro Islands to French troops. Page 3

Kashmir violence

Indian Prime Minister Mr V.P. Singh said heavy action would not be taken in Kashmir, despite reports of a rapid escalation of violence by militants seeking secession. Page 3

999 refusals

London ambulance crews refused to take calls from controllers at the London Ambulance Service headquarters. All 999 calls were being passed to emergency cover in Birmingham when unions announced they could not guarantee minimum cover over the holiday period. Page 5

Dog breeder charged

Perrycroft Farm Kennels of Colwall, near Malvern, Hereford and Worcester, charged with breeding of laboratory animals, has been charged with causing unnecessary suffering to beagles after 79 puppies died on a ferry to Sweden.

Time stands still

The clock on Big Ben, the London landmark which overlooks the House of Commons, stopped for over three hours when part of its mechanism jammed. The clock, acknowledged to be one of the most reliable in the world, even uses old pendulums to balance one of the pendulums in its mechanism. Page 4

Clinic cash pledge

Britain is to provide £5m over the next four years to help fund the International Peter Institute in Budapest, Hungary, which helps seriously ill children.

Fis epidemic slows

More people are falling victim to the fis epidemic but the rate of infection seems to be slowing, researchers said. For the first time since the Second World War, all major hospitals in Birmingham went on a red alert as nursing staff continued to be hit by the epidemic.

Joe Loss retires

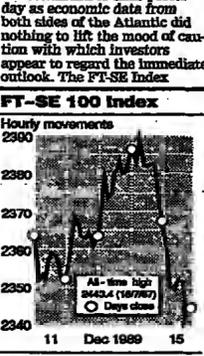
Veteran band leader Joe Loss, 80, retired after suffering ill health for a year. The band will carry the name of his singer, Todd Miller.

BUSINESS SUMMARY

Devaluation of currency by China

China yesterday devalued its currency, the renminbi, by 21.2 per cent, bringing the new rate to Rmb4.72 to the US dollar compared with the previous rate of Rmb3.72. While not unexpected in view of Peking's economic crisis, China trade and banking specialists in London were surprised by the size and suddenness of the cut.

FT-SE 100 Index



FT-SE 100 Index

closed with a fall of 22.3 points at 2360, ending the week with a decline of 18.8 compared to last Friday's close. London stocks, Page 15; Lex, Page 22

Poland wants to put off capital repayments

Poland wants to put off capital repayments on its \$39.2bn (\$24bn) debt owed to western banks and governments and the Soviet Union until after the year 2000, according to a policy document. Page 2

XEROX Corporation has filed a suit against Apple Computer

claiming that Apple illegally used key elements of Xerox software to create its Macintosh personal computer programs and misrepresented them as its own. Page 10

LOWNDES QUEENSWAY, loss-making UK furniture and carpet stores group, said it had reached agreement in principle on a restructuring which calls for an injection of \$70m into the company. Page 8

BANK OF NEW ENGLAND said the continuing decline in the region's real estate market would force it to add more than \$1bn (\$222m) to its loan loss reserves - double the sum Wall Street expected. Page 10

BHP, Australia's largest company reported record results from its steel and minerals divisions but said high interest rates checked the advance in half-year group net profits to only 4.4 per cent. Page 10

BFT, acquisitive UK business services group, announced an agreed £120m bid for Heatstar, the personnel services and consumer products group fighting a £167m bid from Adia, of Switzerland. Page 8; Lex, Page 22

SMITHKLINE BEECHAM, the Anglo-US pharmaceuticals and consumer products company, announced a shake-up of its UK drugs operation which will involve the loss of 344 jobs in the next two years. Page 5

WATERFORD Wedgwood, troubled glass and china group, saw its shares drop 4p to 41p as the company delivered the latest in a long series of disappointments to investors. Page 9

ASDA GROUP, UK food retailer which acquired GI Gateway supermarkets from loss-cakes for £700m, said interim pre-tax profits fell by 24 per cent to £83.5m, a little less than the 25 per cent drop the company expected. Page 8; Lex, Page 22

ANGLIAN WATER, newly privatised company which saw heavy dealing on the stock market yesterday, is to use the Companies Act to try to identify new owners of its shares amid suspicion of stake-building. Page 22

Prices of water company stocks today appear in the London Recent Issues table which is on Page 8

GM agrees to take 50% of Saab in \$600m deal

By Robert Taylor in Stockholm and Kevin Dons in London

GENERAL MOTORS OF THE US, the world's biggest car maker, is to take a 50 per cent stake in the heavily loss-making Saab car operations of Saab-Scania, the Swedish automotive and aerospace group, in a \$600m (£376m) deal.

The deal surprised Fiat of Italy, which believed until early yesterday that it was poised to sign a co-operation agreement with Saab-Scania in which it would have merged its Lancia car operations with the Saab car division.

GM and Saab-Scania, which began co-operation in June through the Saab 2000 regional aircraft programme, said they were also discussing collaboration in missile systems.

In last-minute negotiations on Thursday night, Fiat sought to out-bid GM but the deal was signed with the US group in the early hours of yesterday.

Saab-Scania began secret talks with GM less than four weeks ago, shortly after the US group had been beaten by Ford, its domestic rival, in the battle to take over Jaguar, the UK car maker.

Ford held talks earlier this year with Saab, but pulled out in favour of pursuing the Jaguar, which it took over for £1.5bn.

Under the terms of the deal announced yesterday, Saab-Scania is to form a new company.

Saab car division 1988	GM Europe 1988
Turnover	\$17.51bn
Net income	\$1.51bn
Employees	112,000
Car & truck sales	1,452,000

General Motors 1988	Saab-Scania 1988
Turnover	\$123,000m
Net income	\$4,350m
Employees	2,200,000
Car & truck sales	2,780,000

The agreement includes technical co-operation between Saab Automobile and GM's European technical development centres, chiefly in West Germany.

Hong Kong passport plan defended

By Philip Stephens and Alison Smith

THE Government yesterday defended its plans to increase the number of Hong Kong citizens eligible to settle in Britain in the face of a spreading rebellion by right-wing Conservative MPs.

The sign was that it would go ahead as planned next week and announce a relaxation of the immigration rules covering more than 150,000 people in the colony, in spite of fierce attacks by some of its supporters.

Senior Whitehall officials said that the broad policy outline had now been drawn up, although some details remained to be settled. The policy was based on the Government's recognition of its responsibility to maintain confidence in Hong Kong up to and beyond the colony's transfer to China in 1997.

The rebels - including a number of officers of the industrial 1922 Committee of back-bench MPs - are seeking to head off legislation that would give full passports to a number of important groups to help underpin confidence in the colony.

Mrs Margaret Thatcher promised a relaxation of immigration rules after the Peking regime's forcible repression of student demonstrations earlier this year.

She was said yesterday to have been surprised by the strength of the opposition among her own supporters and at the role of the traditionally loyalist executive of the 1922 Committee in orchestrating the opposition.

Senior ministers reacted with dismay to what was seen as an attempt by the right-wing of the party to wreck attempts to balance responsibility between Hong Kong with domestic political considerations.

One commented angrily that the leaders of the rebellion were motivated purely "by populism and, in a few cases, racist sentiments".

He added: "They do not care about the problem but only about the reaction in their local pubs."

Speaking in Brussels, Mr Douglas Hurd, the Foreign Secretary, stressed the package would not provide a precedent for other nationalities seeking to come to Britain.

He said it was "a unique problem which applies only to the biggest of our remaining colonies, a unique situation specific as regards time and place."

The rebels argue that important groups in Hong Kong - Crown Servants and the rich - are already assured of entry into Britain under the discretion provided by existing immigration law. However, Mr Hurd believes they need the security of a full British passport to stay in the colony in the run up to its transfer to China.

Much of the opposition to the proposals comes from Conservative MPs representing marginal constituencies in areas such as the Midlands, which already have high concentrations of immigrants.

Ministers are critical, however, of the role in the rebellion of Mr Cranley Onslow, the chairman of the 1922 Committee, and of Mr Norman Tebbit, the former party chairman. Both represent secure southern constituencies.

The rebels have been encouraged by the Labour party's policy on the issue. Labour has consistently refused to offer guarantees to citizens of Hong Kong and is thought likely either to oppose or abstain if the Government proposes legislation.

Retail prices index at 7.7% as mortgage rate begins to bite

By Simon Holberton, Economics Staff

BRITAIN'S inflation rate rose sharply last month as increased mortgage interest payments and generally higher prices pushed the annual growth in the retail prices index to 7.7 per cent.

November's annual rise in inflation - the highest since July when prices were rising at a rate of 8.2 per cent - was pushed higher by a 0.9 per cent rise in the retail prices index during the month, Central Statistical Office figures showed.

Excluding the effects of mortgage interest payments, prices were 6.1 per cent higher in November than a year ago, unchanged from the annual rate in October, and indicating that inflationary pressures in the UK have yet to subside.

The renewed rise in inflation from 7.3 per cent in October brought a barrage of criticism from opposition politicians.

Mr John Smith, Labour's shadow Chancellor, said on BBC Radio that November's rise in prices was "a damning indictment of the government's economic policies." With the

underlying rate of inflation stuck at 6.1 per cent he accused ministers of "misplaced complacency." Mr Alan Beith, Liberal Democrat Treasury spokesman, said the figures were "a damning condemnation of the Government's anti-inflation policy."

Analysts said that financial markets were relieved by yesterday's news, but only because the rise in inflation was not as bad as had been expected. Some noted that the underlying rate was worryingly high given the state of the economy.

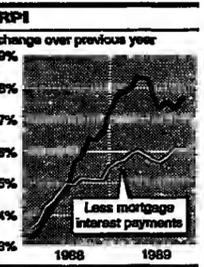
The Treasury said the Government remained firmly committed to bearing down on inflation. Its tight monetary policy and sound fiscal position would ensure that inflation fell, although it would take time to do so.

In November prices were higher across the board, especially seasonal foods which rose 4.6 per cent, the largest monthly rise since May 1984.

Looking ahead, officials said the most important price rise to come would be British Rail and London Underground fares in February.

The all items retail prices index (January 1987=100) in November was 118.6 compared with 117.5 in October. The tax and price index (January 1987=100) was 112.8 in November compared with 111.7 in October.

US trade figures, Page 2; Editorial comment, Page 6; Bank Deputy Governor Designate on inflation, Page 22



MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: \$1.6045	New York lunchtime: DM1.7225	FT-SE 100 (22.5)
London: \$1.6045 (1.587)	FF15.8815	2,344.7 (-22.5)
DM2.7625 (2.775)	SF1.551	FT Ordinary
FF19.4475 (8.485)	Y144.175	1,851.7 (-19.7)
SF2.4825 (2.4875)	London	FT-A All-Share
V231.25 (230.0)	DM1.7225 (1.737)	1,169.73 (-0.8%)
I. Index 85.6 (86.5)	FF15.8875 (5.84)	New York lunchtime:
	SF1.549 (1.5685)	DJ Ind. Av.
	Y144.1 (144.05)	2,742.96 (-10.57)
	\$ Index 67.8 (68.1)	S&P Comp
	Tokyo close: Y144.3	349.02 (-1.31)
	US LUNCHTIME	Tokyo Nikkei
	RATES	38,271.04 (+80.24)
	Fed Funds 5 1/2%	LONG-TERM MONEY
	3-mo Treasury Bill:	3-month interbank:
	yield: 7.87%	3-weeking 15 1/2 (15.2)
	Long Bond:	1 1/2% long gil futures:
	102 1/2	yield: 7.86%
	Chief price changes yesterday: Page 22	

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RETURN TO PRAGUE

A.H. Herrmann returns to Czechoslovakia after 21 years exile in London. He was Prague Correspondent of the Financial Times from 1964 to 1968, when he fled the country at the time of the Soviet invasion. He gives his impressions of the country this week. Page 1

Finance

The best of the board games for those with business in mind. Page V

How To Spend It

Lucia van der Post picks some last-minute presents. Page XIII

Wine and Food

Wine books end festive desserts. Page XII

Records

Our reviewers pick the best of the year's releases. Pages XIV-XV

Sport

Teresa McLean looks at the contribution woman make to cricket. Page XVIII

S Africa frees five political prisoners

By Patti Weldmeir in Johannesburg

THE SOUTH AFRICAN Government yesterday released its most important remaining political prisoners, apart from Mr Nelson Mandela, amid signs that it plans to hold preliminary negotiations with anti-apartheid groups early next year.

The releases came after the Appeals Court in Bloemfontein overturned the treason convictions of five black activists, including leaders of the United Democratic Front (UDF), the anti-apartheid coalition. Sentences and convictions were set aside after a panel of five judges declared a mistrial.

Two of the five men released yesterday - Mr Patrick "Terror" Lekota, 41, and Mr Popo Molefe, 37, jailed in 1985 - played an important role during the uprising in black townships in the mid-1980s.

Anti-apartheid leaders responded to the release with enthusiasm. "It's glorious, glorious, wonderful," said Anglican Archbishop Desmond Tutu as he waited at Cape Town locks for the five to arrive from Robben Island prison.

The release coincided with signs of increased flexibility from both Pretoria and the ANC over the terms for constitutional negotiations, in which Mr Lekota and Mr Molefe could play an important part.

The Government is understood to be planning a series of meetings early next year with political, labour, church and cultural groups to discuss issues such as pre-conditions for negotiations, the agenda for talks, who should take part, how a chairman should be elected, and other issues.

A proposal whereby government negotiators would sit at the table as members of the National Party rather than as government officials - in effect accepting a reduced status in the talks - was also under serious consideration.

To facilitate this process, steps such as the end of the banning of the ANC could be taken, although the organisation would have to make a commitment to halt violence.

Mr Lekota, who won his nickname as a skilled football player, said the five were not bitter. But he added: "We feel it is unfortunate that the last four and a half years have been lost to us."

His re-emergence on the political scene could significantly strengthen the anti-apartheid movement.

Continued on Page 22

Weekend FT



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OVERSEAS NEWS

Nato pledge not to exploit East Europe upheaval

By Robert Mautner, Diplomatic Correspondent, in Brussels

NATO foreign ministers yesterday undertook to support and promote the reforms under way in Eastern Europe, but promised not to upset the political and security balance in Europe.

"We want the reforms in Central and Eastern Europe to succeed peacefully and democratically," a communiqué issued after the two-day ministerial meeting said. "We are determined to facilitate and promote them without seeking one-sided advantage."

Clearly in an effort to reassure the Soviet Union, which has been showing signs of nervousness at the possibility that the West might exploit the fluid situation in Eastern Europe, the Nato ministers said they did not seek to undermine the security interests of any state.

But in a significant rider underlining the provisions of that agreement on human rights and other democratic freedoms, the communiqué said that they expected all other countries to show the

Moscow to cut military spending 'by 8% next year'

THE Soviet Union said yesterday it would slash military spending by more than 8 per cent next year as it shifts the armed forces from an offensive to a more defensive role, Reuter reports from Moscow.

Colonel-General Nikolai Chervov told a news conference the budget would be cut by 8.2 per cent to Rb570.98bn (€73bn).

The new political thinking in defence doctrines allowed the military to reduce the budget in practical terms, said Gen Chervov, head of a department of the general staff.

It was the first time the complete armed forces budget had been given to foreign journalists ahead of publication in the official Soviet press.

Military spending this year amounted to Rb577.3bn, according to the first fully-defence figures for defence expenditure, published in June.

Gen Chervov also gave the most detailed breakdown to date of armed forces personnel, saying that as from January their strength will be 3,593,000.

They will be equipped with 4,045 missile launchers of all kinds, 10,000 missile warheads, 63,900 tanks, 3,207 combat aircraft and 157 major surface ships.

Gen Chervov said offensive weapons were being reduced, operational training was being revised and major military manoeuvres had been cut.

President Mikhail Gorbachev has begun cutting the armed forces in an attempt to lessen international tension and free much-needed funds to help modernise the outdated Soviet economy.

"We were misled by Gorbachev's policy of openness. The [budget] cuts are one way of building confidence," Gen Chervov said. A year ago, Mr Gorbachev told the United Nations that 500,000 troops would be cut from the Soviet armed forces. Gen Chervov said 250,000 of these had already left.

This year's 1989 US defence figure was \$90bn (£188bn) but the Soviet Union says the low wages paid to Soviet conscripts - about Rb27 a month - partly explain the discrepancy in military spending between the superpowers.

Colonel-General Vladimir Babev, who also attended the news conference, said the budget figures did not include the cost of converting military factories to producing civilian goods, an important part of Mr Gorbachev's economic reform programme.

"The budget should make it possible for the state to maintain reasonable military efficiency and also improve living conditions for the army," Gen Chervov said.

An unofficial army protest group was formed last month to protest against poor living conditions, long hours and low wages. There have also been protests over lack of housing for retired officers and their families.

General Babev said the army was now building more houses for officers on pensions.

Confusion remains on BNL loans

John Wyles looks at the Italian bank's dealings with Iraq

HAVING revealed that more than one manager at Banca Nazionale del Lavoro's Rome headquarters is now under investigation for possible involvement in the unauthorised allocation of \$2.897bn (£1.75bn) of loans to Iraq, Italy's Treasury Minister Mr Guido Carli has indicated that Italian and US investigators still have a great deal more to learn about the destination and purpose of many of the loans issued by the bank's branch in Atlanta, Georgia.

Since the Treasury is BNL's main shareholder, the Italian parliament, and the opposition in particular, is continuing to press for explanations as to how such a vast sum of money could have been made available to Iraq through more than 2,500 loan agreements in 1988-89.

Mr Carli's very partial explanation to the Senate's Finance Committee on Thursday suggested that the scandal was made possible by the virtual collapse of internal controls under the impact of cost cutting at the bank's Rome headquarters.

But the minister's statement on the details of the financing was in many respects confusing and incomplete. In particular, he implied that the actual loans dedicated to financing arms or the supply of militarily useful equipment to Baghdad may have been no more than \$200m, but he failed to offer any explanation for other loans beyond some \$750m guaranteed by the Commodity Credit Corporation for the purchase of US agricultural products.

His breakdown of the total loans to Baghdad was as follows: \$1,758bn in favour of the Iraqi Central Bank and the Rafidain Bank of Baghdad; \$520m in letters of credit "all or partly utilised" issued by the Central Bank; \$49m in favour of "various beneficiaries" but attributed by Atlanta to Rafidain; \$500m of other cash credits or guarantees for "various clients and banks".

Mr Carli said credits in this last category were not destined for Iraqi counterparts, although some of the recipients were also receiving payments directly from the Iraqi central bank.

Potentially arms-related payments made by Atlanta came to \$116m, said Mr Carli, in favour of the following companies: \$30m to Lummas Crest, \$7m to a joint venture of Lummas Crest and Thiessen, \$16m

to Matrix Churchill, \$3m to Mannesmann Demag, \$21m to Mannesmann Handel, \$5m to Potain, \$11m to Rotec Industries, \$8m to Servaas, \$4m to Techno Export, \$5m to XYZ Options, and \$5m to Dresser.

Mr Carli also said there were some \$144m of loans written off by the managers of the Atlanta branch. Mr Chris Drogoul, might have had a personal interest in a New York company, Entrade, which had received credits, which has not been possible to clarify.

The Entrade account had been used to make payments to unidentified beneficiaries as well as to pay expenses to employees of BNL's Atlanta branch.

As far as involvement of BNL personnel in Rome was concerned, Mr Carli said Atlanta credits for Italian companies trading with Iraq had been allocated as a result of "frequent interventions" by BNL Italian branches and by managers in the Rome finance and credit departments.

Bank of Italy investigators had concluded, added Mr Carli, that the Atlanta affair had taken place in a context of organisational weakness and a lack of a reorganising reorganisation aimed at "freeing a large income" to improve the bank's capital position.

Some of the names mentioned by Mr Carli - Potain, Rotec and Servaas - have not hitherto figured in official or unofficial revelations on the Atlanta affair. Mr Carli added that since August 4, when BNL first learned of the extent of Atlanta's dealings with Iraq, the bank had conducted checks on the trades attached to the letters of credit. In particular, BNL had sought a declaration from XYZ Options that ruled out any possible violation of US laws.

The company had refused to make such a declaration and the bank had as a precaution

underlying growth rate may have been slightly higher, since aircraft deliveries were down by \$0.5bn, probably because of the Boeing strike, now settled.

For the year to October, the figures confirm painfully slow progress in reducing the trade deficit, which has totalled \$21.0bn in the first 10 months of this year, compared with \$27.2bn in the same period in 1988. Exports in the period were up 13.9 per cent, and imports 8.6 per cent.

Recent reports from industry indicate that export demand remains strong, but flat retail sales may be expected to reduce import growth somewhat.

Producer prices rose by 0.1 per cent in November, exactly as markets had expected. A sharp fall in refined petroleum prices more than offset a further rise in food prices. The annualised rate of wholesale price inflation now stands at 4.6 per cent for 1989.

The bank says it must retain a restrictive monetary policy in the light of rising inflation. The national cost-of-living index last month showed an annual increase of 4.4 per cent, the highest inflation rate since May 1983.

The limitation in the growth of the monetary base to 3 per cent for 1990 is seen as a necessary medium-term measure to combat inflation.

The National Bank, Switzerland's monetary authority, foresees that domestic money-market interest rates will next year remain at or even exceed their current high level.

Only gradual reductions in inflation are considered possible. This week, Union Bank of Switzerland and Credit Suisse have estimated the 1990 rise in consumer prices at 4.1 and 4.5 per cent, respectively.

EIB role in east Europe bank

The European Investment Bank's likely participation in the proposed European Bank for Reconstruction and Development would be "rather more nominal than substantial", and would not affect its capacity to provide increasing finance for the European Community's backward regions, said Mr Ernst-Gunter Broder, EIB chairman, yesterday, John Wyles writes from Rome.

Following the decision last weekend by the EC summit to create a bank to help eastern European countries which are embracing democracy and forms of the market economy, Mr Broder said that many details had yet to be worked out.

But contacts with the French government, which holds the EC Presidency, had led him to believe that the EIB's share in the new bank's capital "would not be of any magnitude".

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Kohl warns E German 'firebrands' over unity

MR Helmut Kohl (above), the West German Chancellor, said on East German television that relations between the two states would enter a "decisive phase" after the first free elections in the latter on May 6. Hinting strongly at an election victory, Mr Kohl said that both sides could then "very quickly" conclude agreements, Leslie Collitt reports from Berlin.

However, he issued a warning to East Germans agitating for immediate reunification. He said "firebrands" who made radical remarks accomplished the opposite of what they intended.

The interview with East German television was broadcast before Mr Kohl's summit next week with Mr Hans Modrow, the East German Prime Minister, in Dresden. Mr Kohl said East Germans had the right to decide their future and thus whether they wanted reunification.

"It is my firm conviction that the people of the GDR will decide in such a way that I will be happy about it," he noted.

East Germany began with the International Monetary Fund (IMF) office in Geneva initial talks which are expected to lead to eventual membership. Mr Kohl said East Germany was interested in the economic, monetary and financial expertise of the IMF. East Germany used to spur the IMF as a neo-colonialist organisation.

Swiss money growth target

The Swiss National Bank has set an unchanged target of 2 per cent for money supply growth next year, John Wyles writes from Zurich.

The bank says it must retain a restrictive monetary policy in the light of rising inflation. The national cost-of-living index last month showed an annual increase of 4.4 per cent, the highest inflation rate since May 1983.

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Only gradual reductions in inflation are considered possible. This week, Union Bank of Switzerland and Credit Suisse have estimated the 1990 rise in consumer prices at 4.1 and 4.5 per cent, respectively.

EIB role in east Europe bank

The European Investment Bank's likely participation in the proposed European Bank for Reconstruction and Development would be "rather more nominal than substantial", and would not affect its capacity to provide increasing finance for the European Community's backward regions, said Mr Ernst-Gunter Broder, EIB chairman, yesterday, John Wyles writes from Rome.

Following the decision last weekend by the EC summit to create a bank to help eastern European countries which are embracing democracy and forms of the market economy, Mr Broder said that many details had yet to be worked out.

But contacts with the French government, which holds the EC Presidency, had led him to believe that the EIB's share in the new bank's capital "would not be of any magnitude".



Bulgarian head of state Peter Mladenov attending the second day of the National Assembly meeting in Sofia. The government is coming under pressure for more political reform.

Poland wants debt delay

By Christopher Bobinski in Warsaw

POLAND wants to put off capital repayments on its \$89.2bn (€24bn) debt owed to western banks and governments and the Soviet Union till after the year 2000, a policy document published yesterday reveals.

The document, which details economic plans for next year, will seek to have its debt reduced "according to new special principles" - a reference to the Brady plan for debt reduction.

This year the surplus in trade with the West will fall to \$500m. Next year, Poland expects to go into deficit, with hard currency exports growing by a mere 3 per cent.

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Yugoslavia to offer multi-party system

YUGOSLAVIA is to introduce a multi-party system and free elections, and seek full membership of Western economic groups including the European Community, according to a draft Communist Party declaration published yesterday, AP reports from Belgrade.

The document said the Communist Party will no longer retain its monopoly of power and will participate along with other parties in "free, direct and secret elections". It was prepared for adoption next month at a party congress and was published by the official daily Borba. It appears to be Yugoslavia's reply to the wave of democratic reform sweeping eastern Europe.

"The Communist Party supports freedom of assembly and of speech, and all other civil liberties regardless of political convictions of individuals," said the document, released by a parliamentary preparatory committee.

Political "associations, movements or parties will depend on the will of the citizens, whose freedom of choice must be guaranteed by the constitution," it went on.

The draft also said that Yugoslavia will seek "full participation in integration processes in Europe, and membership of the European Community, the Council of Europe, the European Free Trade Association and other similar organisations and institutions."

The document also called for radical market-oriented economic reforms, respect for human rights and an independent judiciary, all to be guaranteed by a new Yugoslav constitution.

"We are changing all of this now so that tomorrow it will not be too late for socialism in Yugoslavia," the draft stated, adding that the reforms should be implemented within six months after the congress.

The communist leaders of Yugoslavia's largest republic, Serbia, have been the staunchest opponents of the Western style of democracy. But, at its congress last week, the Serbian party appeared to have softened its line.

Communist and Serbian authorities "have no reason or wish to impede administratively the establishment of [independent] political parties in the republic," said Mr Bogdan Trifunovic, the republic's party chief, in a keynote address.

The second largest republic, Croatia, and the northern republic of Slovenia have already endorsed parliamentary democracy and are to hold open parliamentary elections next spring.

Numerous independent movements and parties have been formed in Croatia and Slovenia over the past year. Despite objections by the authorities, several opposition groups have also sprung up in Serbia, Bosnia, Macedonia and Montenegro, where communists had tried to sidestep the issue of democratic reforms.

Economic, political, social and ethnic problems have mushroomed since the death in 1980 of President Tito, whose charisma was seen as a main force in holding the country together.

Concern at prospects for EC banking solvency directive

By Lucy Kellaway in Brussels

THE Second Banking Directive, which allows banks to operate throughout Europe on a common passport, was finally adopted yesterday by member states after several years of difficult negotiations.

However, member states are concerned that the single market in banking services will fall unless the sister directive on banking solvency is also adopted - and that is set for a tougher ride when it comes before confirmation of the so far unpublished decision by the panel, set up under the General Agreement on Tariffs and Trade (GATT), was given at a news briefing in Brussels yesterday by Mrs Carla Hills, US Trade Representative, who has been in Europe this week for routine trade talks with the EC.

"The GATT panel was correct," she said. "We look forward to the European Community correcting the problems that have been identified."

Established following a complaint by the US that the payments made by Brussels are denying American soyabean producers fair access to the European Community market, the panel is understood to have found that the so-called processing subsidies are discriminatory in their present form under Article 3 of GATT rules.

This is because the payments, made to oilseed crushers rather than producers to compensate them for buying higher-priced EC oilseeds, are alleged to include a margin which is over and above the difference between this EC price and the world market price.

Unless there is unanimous agreement on solvency by early in the new year, the directive will lapse.

The commission is urgently presenting a compromise on Monday, so it can start in the new year with its busy programme of laws on financial services, insurance and takeovers.

However, the positions are well entrenched on all sides, and some member states doubt whether an agreement can be achieved so quickly.

West Germany, which had assented to the directive, is arguing for more favourable terms for mortgage finance. The draft directive allows lower capital backing for mortgage lending until 1996, but West Germany

want this to be extended until 2001, and widened to cover a broader range of unoccupied residential buildings and commercial properties.

Though the German request would benefit most member states, German banks would stand to gain most as property is an important part of their business.

The Bonn government has also argued that such 10-year arrangements have been granted to France on lease financing, which the UK has managed to get its discount houses excluded from the solvency rules altogether.

Backing for Sandoz plant

By Kieran Cooke in Dublin

THE Irish authorities have approved a controversial £170m (€148m) chemical plant in Cork, to be built by Sandoz, the Swiss pharmaceutical company, despite fierce protests.

Objectors point to the concentration of chemical industries in the Cork harbour area and to the damage caused to the Rhine by a fire at a Sandoz plant near Basle in 1986.

Sandoz and the Industrial Development Authority, the state body responsible for promoting inward investment for Ireland, have waged an intense public relations campaign over the siting of the plant.

Most residents in the Cork harbour area who voted in a recent referendum were in favour of the plant, which Sandoz says will create 200 permanent jobs and more than 1,000 jobs during construction.

The IDA says approval for the Sandoz plant is now subject to an objections procedure. This is likely to be a highly charged process.

Merrell Dow, the US pharmaceutical company, recently cancelled plans to build an 1800m plant in the Cork area. Local farmers and environmentalists had fought a lengthy campaign against the project. Merrell Dow said it pulled out for tax reasons.

Officials said a compromise could almost certainly be found because it was in nobody's interests for the legislation to fail. Some hoped a compromise could be reached by making a distinction between new mortgages and existing ones.

Another possible route of compromise would be to attempt to change the basis of the vote so that it could be passed by a qualified majority. As a part of the single-market legislation, the solvency directive could in theory be agreed on a majority vote. However, in practice unanimity has been needed because the commission and the member states are in disagreement over the relative powers of member states and Brussels in enacting the legislation.

However, a compromise along these lines would require the Commission to accept less power over the banking legislation, and Commission officials said yesterday this was out of the question.

Closer links for Twelve on crime and immigration

By Ian Davidson in Paris

THE 12 European Community governments have agreed to step up their co-operation in the control of immigration and in the fight against organised crime.

At the end of a two-day meeting in Paris yesterday, 12 Ministers of Justice or the Interior announced their intention to work towards harmonising their policies on immigration and asylum, which they hope will lead to the signature of two conventions by the end of next year.

The apparent harmony among the Twelve is in sharp contrast with the last-minute breakdown of plans for open frontiers between France, Germany and the Benelux countries, which should have been signed in Schengen this week.

Meetings of these 12 Interior or Justice Ministers, in the so-called Trevi Group, are normally secret. The fact

that this week's meeting has been publicised with two long declarations is eloquent testimony to growing public sensitivity on issues of immigration and security. At the European summit in Strasbourg last week, four prime ministers stressed the importance of the immigration issue.

In order to ensure freedom of movement within the Community after 1992, the Twelve will harmonise their policies towards would-be immigrants from outside the Community. They will examine the possibility of mutual recognition of national visas, and in the longer term the possibility of introducing a common visa valid in all member states.

The Twelve will begin to exchange computerised information on undesirable who should be refused entry. But they promise that this exchange of information can only be envisaged

if there is a proper legal framework guaranteeing the protection of individual liberties.

The Twelve also intend to ensure that applications for asylum will in each case be examined by only one member state, in order to prevent the abusive lodging of applications in several member states simultaneously.

In the fight against international crime, the ministers said they would be studying the establishment of a common information system which would be available to all member states.

They would also examine closer co-operation at frontiers between member states, including the possibility of setting up common frontier posts and combined mobile units. They would study whether, and under what conditions, police forces might be authorised to cross internal frontiers in pursuit of wanted criminals.

The ministers also announced increased co-operation in the fight against drugs, including the strengthening of controls at external frontiers, the speeding up of exchanges of information, the development of a network of liaison officers, investigations into money-laundering, and the development of a European drugs file.

They said they intend to call a special ministerial meeting early in the new year on police co-operation against drugs.

France's European Affairs Minister yesterday blamed the West German government for the last-minute breakdown of the so-called Schengen Pact on open borders between France, Germany and the three Benelux countries, which had been slated for signature yesterday.

Mrs Edith Cresson claimed that the German government had asked that East Germany should be admitted as the sixth member of the Schengen group.

"The purpose of these agreements," she said, "is to permit the free movement of people between five countries, not to discuss the German problem. Either the Germans return to the spirit of Schengen, and we can go on talking, or they stick to their demand, and then we cannot go on."

Mrs Cresson expressed anxiety that the Germans might seek to introduce the German question into every Community dossier. "If on this subject, which is quite limited, the Federal Republic has adopted this position, then it can adopt it on every subject. There is a serious danger that things could get out of control, and it would be good if the German government could get a grip of itself."

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Aylwin celebrates election win with call for rebuilding

By Barbara Durr in Santiago

MR PATRICIO Aylwin yesterday called on fellow Chileans "to rebuild Chile without rancour", after his decisive win as the main opposition candidate in the presidential election on Thursday.

He told thousands of supporters who had gathered spontaneously at his campaign headquarters in Santiago early yesterday, "Chile has re-discovered its democracy." He then appealed to Chileans to heal the scars of the 16 years of military rule under President Augusto Pinochet, who will step down on March 11.

Mr Aylwin obtained 55.2 per cent of the vote, in line with opinion poll estimates. Mr Hernan Búchí, the main right-wing contender, won 23.4 per cent of the votes and Mr Francisco Brander, an independent populist, took 15.4 per cent. This was regarded as a good performance for a man in politics for the first time and without a party.

Mr Carlos Cáceres, interior



Aylwin: "Without rancour"

Minister, acknowledged Mr Aylwin's victory and said the armed forces would respect the election result. He also said the government was "deeply convinced of, and satisfied by, the effort of democratic, social and economic reconstruction" achieved under the leadership of General Pinochet.

The minister said he did not expect a strong negative reaction from business. The most sensitive business indicators, the stock market and the unofficial dollar rate, had already adjusted to the possibility of an Aylwin victory, he said. The stock market even rose several points on the two days before the election and the unofficial dollar fell, after a brief ascent last week.

Mr Cáceres admitted for the first time publicly that the opposition's economic programme was "more moderate".

The opposition also did well in the congressional elections, also held on Thursday. Its candidates won 22 of the 38 seats for directly elected senators. Another nine senators will be appointed by the outgoing government.

The most significant setback for the opposition was the failure of Mr Ricardo Lagos, considered Chile's most charismatic left-wing politician, to win a senate seat.

The most important moderate right-wing party, National Renovación, won five seats, six conservative independents were elected, as were two members of the pro-Pinochet right-wing party Unión de Demócratas Independientes.

The House of Representatives results were still being counted yesterday, though they were believed to follow closely the senate pattern. There will be 120 members, all directly elected.

Slow boat to direct elections proposed for colony

By John Elliott in Hong Kong

THE Peking-influenced drafters of the Basic Law, which will form Hong Kong's mini-constitution after China regains sovereignty in 1997, yesterday produced a political blueprint which will delay the introduction of direct elections until 2007 at the earliest.

Produced by the law's drafting committee sub-group at a meeting in the southern Chinese city of Canton, the proposal also poses serious problems for the British government which will come under pressure to introduce more extensive direct elections before 1997.

The plan is not yet finalised. It will go to a full meeting of the law drafting committee in February and will later be promulgated in Peking.

Prospects of China agreeing to speed up the introduction of democracy were dashed after Hong Kong people came out in support of the Tiananmen Square students' protests in May and June. China is now determined to slow down Hong Kong's democratic reform because it does not want liberals to gain leading positions.

The formula produced yesterday suggests that only 18 (30 per cent) of 60 seats in the legislature should be chosen by direct popular vote in 1997.

The remainder would probably be produced by a mixture of indirect and occupation-based elections. The legislature would have a dual voting system for certain sensitive subjects.

The sub group is also controversially recommending that there should be no significant change for the following ten years.

These proposals put forward by a wide variety of Hong Kong groups including existing legislators who want 50 per cent to be directly elected by 1997, with 100 per cent in 2003.

The UK's problem arises over what to do in 1991 when it is pledged to introduce direct elections for the first time. It originally envisaged only 17 per cent of the seats being directly elected in 1991 but, since China's June crisis, both the British and Hong Kong governments have become sympathetic to the existing legislators' proposals which call for 20 seats, a third, being directly elected.

The UK would probably face widespread criticism if it compromised on 30 per cent. However if it introduces a higher figure in 1991 than China is prepared to implement in 1997, existing plans for the legislature elected in 1995 to continue in power after the

handover in 1997 will collapse.

China's devaluation is expected to have only a limited impact on Hong Kong whose extensive trade with the mainland is mainly conducted at an officially recognised grey market rate.

This rate has been standing at approaching RMB70: HK\$100 compared with an official rate of RMB47: HK\$100.

Hong Kong would be more directly affected if China went further and attempted to abolish the officially recognised grey rates and go for a single internal and international value for its currency.

How to tell genuine refugee from economic migrant

John Elliott looks at the controversy over the way Hong Kong is screening the Vietnamese boat people

WHILE AN effigy of Mr. Margaret Thatcher was being burned yesterday during demonstrations in the boat people camps against Hong Kong's new policy of forcibly repatriating Vietnamese boat people, Sir David Wilson, the colony's governor, was saying that the emotional reaction to the repatriation of 51 people early on Tuesday morning had been expected.

As he was challenging international critics to find another solution to the problem of housing the 40,000 people not expected to qualify as refugees for resettlement, and demonstrations were being staged in six of the camps for the third day running, the screening which the boat people undergo came under a spotlight.

The screening questions, which are not normally published, have been adapted by officials of the UN High Commission for Refugees from tests used in Europe. They are intended to establish whether a person or a family has been involved in activities in Vietnam which would lead to their persecution if they returned.

The questions aim to discover whether they fled Vietnam to escape such persecution or because they were dazzled by the glitter and prospect of riches in Hong Kong and other lands?

The most important questions they are asked in this process are:

- Have you evaded or attempted to evade military service, or desertion?
- If yes, describe the circumstances, the reasons which motivated your act and its consequences, for you and your family, if any.
- Have you ever taken part in or actively supported military armed activities against the authorities of your country? If yes, provide full details.
- Did you or any close member of your family undergo re-education? If so, when and for what duration? Was anyone otherwise imprisoned, and, if so, for what reason and for what period?
- Were the children in your



The fear of an uncertain future shows clearly on the face of a young girl enduring the cramped conditions of a boat people camp

family ever denied educational opportunities by the authorities? If yes, for what reasons?

Those who answer "yes" truthfully to such questions - and therefore prove that they have a "well-founded fear of persecution" - should qualify for resettlement as genuine refugees in developed countries.

Very few - about 1 or 2 per cent - are successful, however, while another 8 or 9 per cent manage to qualify as refugees on family reunification grounds. These people have close relatives already outside Vietnam, either in Hong Kong's refugee camps or in other countries.

The rest are dubbed economic migrants and treated as illegal immigrants. They face mandatory repatriation to Vietnam, following the launch on Tuesday of Hong Kong's widely condemned policy to force about 40,000 would-be refugees to go home.

Organisations such as the UNHCR and Amnesty International are highly critical of the screening, which was introduced in Hong Kong 18 months ago and has been adopted by other south-east Asian countries.

"The screening of asylum seekers is so inadequate that there is a danger that individuals at risk of human rights violations could be sent back to Vietnam," said an Amnesty study team this week. "The screening system as it now operates simply cannot be said to guarantee these people the basic rights to which any asylum seeker is entitled under international standards."

Several organisations quote examples where people failed to qualify, in spite of having written evidence of warrants for their arrest. Some even had evidence that they had been

detained for political activities.

One UNHCR official accused Hong Kong officials of "intentionally trying to see people as economic migrants rather than refugees". Mr Robert van Leeuwen, senior UNHCR officer in Hong Kong, was more restrained. "There is no perfect screening or asylum procedure anywhere in the world," he admitted, however, that his organisation is so short of staff that it was "barely managing" to monitor the screening process.

Hong Kong government officials accuse boat people of fabricating stories about persecution. They insist that the scheme is fair and that appeals and review procedures provide effective safeguards. They also deny suggestions that former immigration officers, who carry out the initial examinations and fill in the questionnaires, are inadequately

trained and are biased by their backgrounds against saying "yes" to applicants.

There are more than 100 such officers, who work with a team of interpreters. These are almost all Hong Kong Chinese. An interview lasts at least two hours. Applicants have to answer about 30 questions and fill in five or six pages of personal details. About 400 people are being processed every day.

The questions start with a family's general situation after 1976, when the Viet Cong and the communist government in Hanoi routed the regime in what was then South Vietnam. Points include posts held in the army or elsewhere (many people from the south worked for the US forces then in Vietnam), and whether they were moved to new economic zones. Political activities are explored, with requests for a membership card or letter as

evidence. This sort of question is widely criticised, because boat people rarely carry such evidence of their past. Other questions cover religious activities, and evidence of economic deprivation which might show they had been persecuted.

"Was the whole or part of the property, land, farm or fishery produce belonging to you or your family ever confiscated by the authorities? Were you ever subjected to forced labour?"

Criminal convictions or deportations are looked into before the final catch-all questions: "Why did you leave Vietnam? If you do not wish to return there, explain why?"

The real problem is the way judgements are made on these questions by people whose political knowledge of Vietnam will be scanty. Officials say there is no points system to assess an applicant. They stress that a UNHCR handbook - Procedures and Criteria for Determining Refugee Status - and the appeals process are adequate.

Initial verdicts are sometimes reviewed by senior officials, and almost all those screened out appeal to a board headed by a lay judge. The UNHCR, which has a general monitoring role and can see all files, has a mandate to overturn the appeal board.

By last night, 7,450 people had been screened and only 739 had qualified as refugees. Of these about 10 to 20 per cent qualified as political refugees, while the remainder had family grounds for refugee status. Appeals to the review board have been made by 4,382 people in 1,781 cases, which only 329 people in 112 cases have won. The UNHCR has exercised its mandate in only 39 further cases.

Sometimes people are lucky. One English-speaking Vietnamese who used to work for the US acted as an interpreter for police officers in an arrival camp and frequently appeared with them on television. Relatives in Australia saw him, came to Hong Kong, and took him back with them.

S Africa 'preparing to introduce tax reforms'

THE South African government will begin to introduce tax reforms in the 1990-91 budget, in March next year, Mr Org Marais, Deputy Finance Minister, was quoted yesterday as saying, AP-IP reports from Johannesburg.

The Business Day newspaper reported that Mr Marais' basic, sensible recommendations of the Margo Commission, which completed an investigation of South Africa's tax system in 1987, would be implemented in the next budget as a first step in the government's five-year plan to overhaul taxation.

The report added that the controversial area of capital gains was among the Margo

report issues being scrutinized with a view to introducing reforms, the first objective of which was to "level the playing fields, as the incidence of tax is very uneven."

Mr Marais was also quoted as saying that other main areas of tax reform in the securities industry were "marketable securities, stamp duties, and double taxation of dividends in the hands of personal shareholders."

The marketable securities tax is on sales of shares of listed companies; stamp duty is a similar tax applied to private companies. Double taxation occurs where income is taxed as company income and again as dividends to shareholders.

Comoro Islands mercenary surrenders to French troops

By Julian Ozanne in Nairobi

COLONEL Bob Denard, the French mercenary, yesterday gave in to pressure from the French and South African governments yesterday, and surrendered control of the Comoro Islands.

Fifty French paratroopers flew in Puma helicopters to the islands' capital Moroni early in the day for a brief ceremonial handover of power.

French intervention had been prompted by the assassination at the end of last month of President Ahmed Abdallah Abdourahmane, either by the mercenaries themselves, or at their instigation.

Col Denard and 25 French and Belgian mercenaries left in the afternoon for Johannesburg on board a South African military transport aircraft. Most of the mercenaries were due to fly on to European destinations.

Condemned in France for his role in an attempted coup in Benin in 1977, and reviled throughout the rest of Africa after a 30-year history as a soldier of fortune in the continent's coups and civil wars, Col Denard will find it difficult to convince any country to give him a home.

He started his military career in Vietnam and graduated to mercenary work after having been a gendarme in Morocco. The 52-year-old soldier of fortune first surfaced in Africa during the post-independence upheaval in Zaïre, when he hired his services to the secessionist Katanga leader Mr Moïse Tshombe.

He later fought as mercenary in Zaïre, Biafra, Angola, the Ivory Coast and Gabon.

In the 1970s Col Denard executed two coups in the Comoros and then established the

Comoran Presidential Guard officered by mercenaries. Since 1984 South Africa has become an influential role, enjoying close trading and diplomatic ties with the islands.

A Paris Court has convicted Col Denard for his role in a 1977 attempted coup d'état in Benin against President Mathieu Kérékou. Facing imprisonment should he return to France, Col Denard started patting down roots on the island. He married a 15-year-old local girl, had two children and converted to Islam.

But his desire to settle down in the Comoros was not shared by France, South Africa or the late President Abdallah. His assassination proved the last straw. With the easing of regional tensions in southern Africa, Col Denard became an embarrassment, both to Paris and Pretoria.

Minister quits as austral sinks

ARGENTINA'S economy minister Mr Nestor Rapanelli resigned yesterday following a plunge in the national currency amid worries over rising inflation, Reuters reports from Buenos Aires.

Mr Rapanelli, a 60-year-old party outsider, was sworn in five months ago to tackle Argentina's worst economic crisis.

Peronist politicians and labour leaders had pilloried him after his economic measures failed to soothe the financial markets and spurred a jump in consumer prices.

The austral currency plummeted 28.3 per cent against the dollar after it was devalued by 34.5 per cent on Sunday.

Mr Rapanelli brought monthly inflation down to 5.6 per cent from a record of nearly 200 per cent, but the trend reversed and is now expected to top 20 per cent in December.

His successor is Mr Antonio Erman Gonzalez, the health and social welfare minister.

Brazilian candidates 'neck and neck'

By Ivo Dawmay in Rio de Janeiro

THE TWO candidates in the Brazilian presidential election, to be decided in a run-off on Sunday, were reported by polling organisations yesterday to be neck and neck.

The pollsters believe only a few thousand votes will separate the socialist challenger, Mr Luis Inácio Lula da Silva, and the front-runner for much of the year, Mr Fernando Collor de Mello. There are 82m eligible electors.

In the first round a month ago, Mr Collor, former governor of the north-eastern state of Alagoas, had a commanding lead, with about 25m voters backing his programme of liberal economic reform.

Lula, as the Workers' Party candidate is known, narrowly secured second place with about 16 per cent and so went on to the decider.

Since then, he has constructed a broad alliance among the so-called progressive parties and has had some success at characterising his rival as representing the interests of Brazil's conservative oligarchy.

The whittling away of Mr Collor's lead in the opinion polls is keeping Brazil at election fever pitch, especially in the crowded cities where Lula has his greatest support.

Tens of thousands of supporters of both candidates have been taking part in massive end-of-campaign rallies. On Thursday night, the normally busy streets of downtown Rio de Janeiro were all but deserted as voters stayed home to watch the candidates in the final television debate.

The count is expected to take at least three days - probably more if the result is close.

Under the new constitution, the new president is to take office on March 15, but there is rising speculation that an inflation rate near 50 per cent a month may force outgoing President José Sarney to quit early.

Philippines 'hell on earth' after coup bid

By Greg Hutchinson in Manila

"A HELL on earth" is how Cardinal Jaime Sin, the Philippines' most senior churchman, yesterday described his country following the bloody coup this month.

Lamenting that peace and prosperity had failed to materialise after the bloodless February 1986 rebellion that ousted Ferdinand Marcos, Cardinal Sin, speaking to ambassadors at a Christmas lunch, denounced those involved in the coup and "presidential nepotism", one of the expressed grimes of the military rebels.

"The perpetrators of the coup must definitely be hunted down and punished. But, beyond that, the presidency must be freed of every taint of nepotism."

There had been an ominous silence, he said, since the rebel soldiers returned to their barracks after launching their December 1 coup, which involved a five-day siege of the Makati financial district, "somewhat like the silence in the city of Typhoom."

"It is not merely that the leaders of the coup have not yet been captured that is so unsettling. Unsettling is the actual inefficiency in many branches of government. Unsettling are the unceasing reports of undue influence of presidential relatives in official government policy."

President Corason Aquino has promised a revamp of her cabinet before the year is out, and the cardinal's criticisms are seen as pressing her to reform the Government's whole policy-making structure to reverse the politics of patronage that was so much a feature of the Marcos years.

The question is: Will the fold under the pressure?

A senior government minister says she has a fresh deter-

mination to give no more ammunition to the rebels. "She was hurt hard," he says of the sixth and bloodiest military revolt in her less than four years in power.

However, many commentators and editors expressed scepticism that she would meet this challenge. She says she must find suitable replacements before firing poorly performing ministers, and none of the officers who sided with the rebels or failed to rally behind the Government during the last coup has been dismissed.

Meanwhile, military sources said reinforcements were sent to Davao, the largest city on the southern island of Mindanao, as a precaution against another military rebellion. Rodolfo Canales, director general of the National Intelligence Co-ordinating Agency, had told a senate subcommittee he feared serious trouble in

Minister quits as austral sinks

ARGENTINA'S economy minister Mr Nestor Rapanelli resigned yesterday following a plunge in the national currency amid worries over rising inflation, Reuters reports from Buenos Aires.

Mr Rapanelli, a 60-year-old party outsider, was sworn in five months ago to tackle Argentina's worst economic crisis.

Peronist politicians and labour leaders had pilloried him after his economic measures failed to soothe the financial markets and spurred a jump in consumer prices.

The austral currency plummeted 28.3 per cent against the dollar after it was devalued by 34.5 per cent on Sunday.

Mr Rapanelli brought monthly inflation down to 5.6 per cent from a record of nearly 200 per cent, but the trend reversed and is now expected to top 20 per cent in December.

His successor is Mr Antonio Erman Gonzalez, the health and social welfare minister.

Brazilian candidates 'neck and neck'

By Ivo Dawmay in Rio de Janeiro

THE TWO candidates in the Brazilian presidential election, to be decided in a run-off on Sunday, were reported by polling organisations yesterday to be neck and neck.

The pollsters believe only a few thousand votes will separate the socialist challenger, Mr Luis Inácio Lula da Silva, and the front-runner for much of the year, Mr Fernando Collor de Mello. There are 82m eligible electors.

In the first round a month ago, Mr Collor, former governor of the north-eastern state of Alagoas, had a commanding lead, with about 25m voters backing his programme of liberal economic reform.

Lula, as the Workers' Party candidate is known, narrowly secured second place with about 16 per cent and so went on to the decider.

Since then, he has constructed a broad alliance among the so-called progressive parties and has had some success at characterising his rival as representing the interests of Brazil's conservative oligarchy.

The whittling away of Mr Collor's lead in the opinion polls is keeping Brazil at election fever pitch, especially in the crowded cities where Lula has his greatest support.

Tens of thousands of supporters of both candidates have been taking part in massive end-of-campaign rallies. On Thursday night, the normally busy streets of downtown Rio de Janeiro were all but deserted as voters stayed home to watch the candidates in the final television debate.

The count is expected to take at least three days - probably more if the result is close.

Under the new constitution, the new president is to take office on March 15, but there is rising speculation that an inflation rate near 50 per cent a month may force outgoing President José Sarney to quit early.

Philippines 'hell on earth' after coup bid

By Greg Hutchinson in Manila

"A HELL on earth" is how Cardinal Jaime Sin, the Philippines' most senior churchman, yesterday described his country following the bloody coup this month.

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A senior government minister says she has a fresh deter-

V. P. Singh rejects hasty action as Kashmir erupts

By K.K. Sharma in New Delhi

MR V.P. Singh, India's Prime Minister, yesterday declared that his Government would not take "precipitate action" in Kashmir despite reports of a rapid escalation of violence by militants seeking secession.

Yesterday, the authorities in the region called out the army and imposed a curfew in Srinagar and other towns in the state.

Violence in Srinagar and elsewhere was reported despite orders to troops to shoot demonstrators at sight. The militants have apparently gained confidence after the recent release of five of their colleagues in exchange for the kidnapped daughter of Multi Mohammed Sayeed, the Home

Minister in Mr Singh's cabinet who comes from Kashmir.

At his first press conference yesterday as Prime Minister, Mr Singh hinted that he was aware of the ineffectiveness of the present state government led by Mr Farooq Abdullah but wanted to avoid taking hasty action such as the dismissal of the Chief Minister.

Mr Singh appeared to speak with a similar note on the Punjab where militants have conducted a violent secession movement for six years. An all-party conference on Punjab has been called by Mr Singh tomorrow.

On defence, Mr Singh hinted that cuts initiated last year could be reversed.

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High	Low	Company	Price	Change	div (p)	Yield %	P/E
343	295	Am. Brk. Inv. Dredging	337	0	10.3	3.1	9.1
38	25	Aventures and Interiors	31	0	0	0	0
210	197	Barton Group (SE)	197	0	4.3	27	15.4
125	102	Barton Group Co Prof (SE)	103	0	6.7	6.5	-
123	74	Bray Technologies	75	0	5.9	7.9	6.6
110	95	Brentoil Corp. Prof	95	-1	11.0	11.2	-
104	99	Brenntag 8 1/2 % New C.C.R.P.	99	0	11.0	11.1	-
309	283	CCL Group Ordinary	309	0	14.7	4.8	3.8
176	168	CCL Group 11 % Com. Pref.	173	0	14.7	8.5	-
225	140	Carbo-Pk (SE)	210	0	7.4	12.4	-
110	109	Carbo 7.5 % Prof (SE)	110	0	10.3	9.4	-
7.5	1.5	Magnet Co Non-Voting A Cap	1.5	0	0	0	0
5	0.75	Magnet Co Non-Voting B Cap	0.75	0	0	0	0
130	119	Edi Group	120	0	8.6	6.9	-
145	58	Jackson Group (SE)	107	-1	3.6	3.3	12.4
322	261	Multihouse NV (AmstSD)	272	0	0	0	0
158	98	Robert Jenkins	158	0	10.0	6.7	5.5
467	365	Servotronics	370	0	12.7	5.1	9.8
320	270	Torway & Carlisle	290	0	9.3	10.4	-
117	100	Torway & Carlisle Com Prof	104	0	10.7	10.3	-
122	74	Trevian Holdings (USA)	80	0	2.7	3.4	8.6
160	104	Uphalun Group Com Prof	110	0	9.5	5.8	-
325	325	Vestriary Dist Co. PLC	325	-1	22.0	12.2	9.4
370	312	W.S. Yates	312	0	14.2	5.2	26.0

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UK NEWS

Fatal accident inquiry ordered into Lockerbie

By James Buxton, Scottish Correspondent

A FATAL accident inquiry is to be held next year into the Lockerbie disaster, in which Pan Am flight 103 was destroyed by a terrorist bomb almost a year ago.

Lord Fraser of Carmyllie, the Lord Advocate of Scotland, said that did not mean that he was taking a pessimistic view of the investigation into the terrorist outrage. But criminal proceedings were not yet imminent and Mr George Esson, chief constable of Dumfries and Galloway, who is in charge of the investigation, said it was not near to making arrests.

The fatal accident inquiry, a procedure under Scots law which has some similarities with a coroner's inquest in England, will investigate not only what happened in the disaster, but also what precautions might have been taken to avoid it and any defects in systems that contributed to it.

Lord Fraser said he had not set a date for the start of the inquiry, which he said would take a long time to organise, but said it was unlikely to take foreign evidence. It might be deferred if there were "developments that took us in the direction of a criminal prosecution."

Dr Jim Swire, who represents the relatives of the British victims of the Lockerbie disaster, said the inquiry was not the full investigation that he wanted to see. It could not sit in camera, so sensitive information might be withheld by the Government on public-interest grounds.

He wanted an independent inquiry held in camera which would also examine the workings of the Department of Transport's air security service. He said the fatal accident inquiry would answer some of our questions about Lockerbie but in no way would it make the skies safer for other air travellers.

Mr Esson said the Lockerbie investigation was "trying to piece together an international terrorist jigsaw. We have some of the pieces, some we are trying to place and some we have yet to find." Investigators had visited 13 countries and conducted inquiries in 52 countries through other police forces.

At the outset, "one perhaps could not have foreseen the degree of success that has been achieved. The overall inquiry was far from complete, though, and he was unable to predict when it would be.

He denied that there had been a lack of co-operation

BA is authorised to fly Glasgow-New York route

By James Buxton

THE CIVIL Aviation Authority has granted British Airways a licence to fly between Glasgow and New York. The airline hopes to begin operating services next summer.

The CAA's licence has been granted before the Government's announcement of the outcome of its review of Scottish airports policy. It has to decide whether to allow transatlantic flights from Glasgow and other airports, or to reinstate the monopoly of such flights held by Prestwick.

British Airways was granted the licence unexpectedly quickly because other British

THE US Government said yesterday it was concerned that terrorists might be planning attacks against targets in Western Europe and West Africa, possibly including Americans.

The State Department said there had been reports of movement of Middle Eastern terrorists in Western Europe, and weapons shipments destined for extremist cells in Spain and Africa had been discovered.

The Foreign Office said it was not aware of any specific threat to UK interests.

between investigative agencies of different countries.

Lord Fraser said he had no current plans to request the extradition of Mr Mohammed Abn Talli, an alleged Arab terrorist currently awaiting the verdict of a trial in Sweden for terrorist offences, who has been named as being wanted in connection with Lockerbie.

Mr Talli was "but one of many individuals in whom at this stage of the investigation we have an interest. I would not put it any higher than that."

Dr Jim Swire said some of the individuals being investigated were linked to the Popular Front for the Liberation of Palestine-General Command, a Palestinian terrorist group, "but it would be wrong to exclude other groups."

A bill to strengthen aviation security and extend existing and new powers to maritime activities was published by the Government yesterday.

The Aviation and Maritime Bill strengthens the 1982 Aviation Security Act, giving the Department of Transport security inspectors greater powers.

Maritime security inspectors will be able to detain ships where they find security failings, and security infringements would render individuals liable to legal penalties.

The same powers will apply to companies providing ancillary services at airports and ports.

Mr Cecil Parkinson, the Transport Secretary, said the bill was part of the Government's response to the Lockerbie disaster.

Legislation will also enable the Government to ratify international conventions and protocols, providing its jurisdiction for armed attacks at airports and extradition of suspects for trial in the UK of those charged with attacks abroad. It will also cover terrorism at sea.

Settlement nears in Channel tunnel costs dispute

By Charles Leadbeater and David Lascelles

THE LONG-running dispute between Eurotunnel, the Franco-British channel tunnel group, and Transmanche, the consortium of contractors building the tunnel, over rising costs, seemed set last night to be resolved in Eurotunnel's favour after they received a cost assessment from two independent consultants.

It is widely expected that the report by W. S. Atkins in the UK and Setec in France - appointed under the terms of the UK-French Channel Tunnel Treaty - will bring to a head the negotiations over increased costs that have cast a shadow over the project's prospects.

The dispute over cost forecasts broke out in October after Eurotunnel disclosed that it estimated that the cost of completing the tunnel had risen from £4.87bn to about £7bn.

Transmanche, a consortium of five British and five French construction companies contracted to design and build the tunnel, put the final cost at between £7.5bn and £7.7bn.

Eurotunnel and the construction consortium were also at odds over who should bear responsibility for those costs.

Transmanche said a significant part of the cost increase was due to changes Eurotunnel had made in the specifications for the project.

It is understood the consultants' report broadly favoured Eurotunnel's estimate of the likely costs of the project. It made some concessions to Transmanche's view that specifications for parts of the work covered by lump sum projects, such as the construction of terminals, were changed after the contract was signed, but it broadly favoured Eurotunnel's position that these were not as significant as claimed by the contractors.

Senior figures in both Eurotunnel and Transmanche believe it is inconceivable that the report will not lead to a settlement of the dispute over costs.

Eurotunnel said it would be unable to approach the consortium of 200 international banks helping to finance the project until it had agreed revised cost

estimates with Transmanche, negotiated limits to further increases in tunnelling costs and settled outstanding claims for higher-than-expected tunnelling costs.

If it can agree a package with Transmanche, it may be able to present it to a meeting of the leaders of the banking consortium on December 21, but it is thought more likely that the package will be presented to bankers on January 9, when final decisions on how much extra finance Eurotunnel will have to raise will be made.

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Grave consequences: supporters of All London Against Road Menace (Alarm) near the Houses of Parliament yesterday, mourned effects on the capital of more roads

Civil servant given rail link job

By Charles Leadbeater, Industrial Editor

THE GOVERNMENT yesterday moved to increase its control over plans for a high-speed rail link to the Channel tunnel with the appointment of a senior civil servant as the British Rail executive in charge of the scheme.

BR announced yesterday that Mr John Palmer, former Deputy Secretary at the Department of Transport in charge of public transport, was to become the corporation's managing director for the Channel tunnel project.

Mr Palmer's appointment is viewed with apprehension by some senior executives at BR, who believe he has been brought in to oversee the high-speed link will be built without further appeals for public subsidy.

Mr Palmer has a reputation at BR for adopting a commercial approach to the future of the rail network. He was head of the Department of Transport's railway directorate in the early 1980s when the Government set up the Serpell inquiry into the future of the rail network. It recommended far-reaching cuts in public subsidies and cuts in capacity.

BR executives mainly remember Mr Palmer for his reported comment that his job at the department was to oversee an orderly rundown of the railway network.

Mr Palmer will be in charge of negotiations with Eurotunnel, the private-sector consortium which is to join BR in a joint venture to build the high-speed link and operate all Channel tunnel services.

His responsibilities will encompass plans for a second London terminal for the tunnel services at King's Cross, the

co-ordination of plans for passenger and freight services beyond London and the acquisition of an international high-speed train fleet.

BR delayed finalising plans for the high-speed link until November, after environmental measures pushed up its cost.

Mr Palmer will exert considerable influence at BR in concert with Mr John Welsby, who is to become the corporation's chief executive from next month. Mr Welsby used to be in charge of the Channel tunnel project and the two used to work together at the Department of Transport.

BR is preparing for a lengthy period without a full-time chairman after Sir Robert Reid retires on March 31. Mr Robert Reid, his replacement, will become part-time chairman from April 1, and full-time from October.

Pay-off scheme for coal miners

By Maurice Samuelson

BRITISH COAL is to introduce a package of generous redundancy terms as part of its continuing streamlining policy.

However, it says the decision does not foreshadow an accelerated programme of early pit closures and job losses.

From January 1, a 57-year-old miner earning more than £300 a week will receive a lump sum pay-off of £27,000, and a 32-year-old with 16 years' service will be offered £9,600.

The package will run until March 27 1988, and will span the three years of the bulk contracts to supply the electricity industry, under which British Coal recently secured most of its existing power station business with the successor companies to the Central Electricity Generating Board.

The package is the latest in a series of redundancy incentives that have facilitated the departure of more than 120,000 miners from the coalfields over the past five years. The workforce is now 84,500, including 66,000 at collieries.

Before the electricity contracts were secured, it was widely predicted that 30,000 jobs would be at risk from a likely surge in coal imports and a new round of colliery closures.

Although collieries will continue to close, only five or six are expected to do so in 1989 compared with 20 in the past year. However, the pace of rundown might speed up towards the end of the electricity contract period.

The new redundancy scheme, available to all industrial staff including officials, offers a lump sum payment of three weeks' pay for every year of service, subject to maximums of £300 a week's pay and 30 years qualifying service.

Miners aged at least 50 who are entitled to concessionary coal on retirement can exchange the entitlement for a lump sum of £4,000.

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Competition in valuation services

By Alison Smith

THE CLOSE relationship between the Government's valuation services and Whitehall departments is to be loosened, Mr John Major, the Chancellor, said yesterday.

Departments are required to use government valuers now, but in the future they will be able to consider contracting out some work.

The Government intends that from April 1991 the valuation services should introduce charging for their services, whether they are working for departments or for other bodies such as local authorities. The services employ more than 2,000 professional staff.

Mr Major also said that consideration would be given to setting up parts of the valuation service as an executive agency, separate from the control of Whitehall and ministers.

Evidence to be called on cross-media promotions

By Raymond Snoddy

MR JOHN SADLER, who has been asked by the Government to conduct an inquiry into the way media companies promote their own interests, plans to call for evidence next month.

Mr Sadler, chairman of the Water Research Centre and former deputy chairman of the John Lewis Partnership, conceded yesterday that he had little experience of the media except as a consumer.

However, as a former member of the Monopolies Commission, he inquired into the Radio Times/TV Times programme listings duopoly. The majority wanted the status quo, but Mr Sadler was one of the minority who believed that it was in the public interest for listings magazines to be opened up to competition.

The inquiry announced by Mr Nicholas Ridley, the Trade and Industry Secretary, will look at the way media companies promote their own interests in media products and services.

Obvious examples include the links between Mr Rupert Murdoch's five national newspapers and Sky Television, his satellite television venture, and the way the BBC promotes its own publications.

The former Board of Trade and Treasury civil servant, who expects to spend about one day a week for a year on the task, said the job in essence would be to answer the question: "Is there mischief?"

Mr Sadler added: "If I am asked a question, I like to answer it in a way that is comprehensible."

Sir Gordon Borrie, Director General of Fair Trading, had been looking into the competition aspects of cross-media ownership for some time, but has now decided against pursuing the issue further.

But for others, such as Labour's Eric Heffer, the future of socialism was no such laughing matter. Citing names such as Kier Hardie, Rosa Luxemburg, James Connolly and the Webbs from the left's roll of honour, he explained in painful detail how true socialism had yet to be realised.

That other venerable sage of the Labour left, Mr Tony Benn, said the roots of socialism went back far further than that. It began in the book of Genesis, he explained, with the story of Cain and Abel and his teaching about being my brother's keeper.

He denied Mr Hamilton's assertions that East Europe was now gleefully embracing capitalist values. "Do you believe that what is happening in Warsaw is because they are clamouring for a poll tax, that they are yearning to sell off their water supplies in Uzbekistan?"

His optimism was as unshakable as ever - only internationalism and socialism could secure a just distribution of the world's resources, Mr Benn said. But as he spoke, Big Ben ground to a halt.

The clock, which is acknowledged as one of the most reliable in the world, did not move for over three hours because of a fault in its escapement mechanism, which allows movement of the cog controlling the hands.

Charles Kennedy (Lib Dem, Ross Cromarty and Skye) made a timely intervention in the debate, saying that although "time has run out on socialism", the clock also seemed to have "stopped on the Conservatism of this Government."

New man at Bank of England favours slow move on EMS

Peter Norman and David Lascelles profile the newly appointed Deputy Governor-designate at Threadneedle Street

MR EDDIE George, the Deputy Governor-designate of the Bank of England, sits surrounded by the trappings of power: a bank of screens on one side, a document marked "Secret" on the desk before him and framed mementoes of Britain's huge crisis-time borrowings 10 years ago on the paneled walls. Outside, a footman in pink tails receives visitors.

The appointment of this articulate 51-year-old to the number two job in Threadneedle Street from the end of February coincides with what might be one of the big turning points in the Bank's history.

Over the last five years, the Bank has been intensely preoccupied with reasserting itself as a counterweight to the Treasury in managing Britain's economy and supervising the changes in the City brought about by the Big Bang restructuring in 1986.

The next five will entail the task of managing Britain's participation in stage one of the Delors programme for European economic and monetary union with the expected full entry of sterling into the European Monetary System and recasting the Bank itself to deal with new responsibilities and wider markets.

Mr George made clear yesterday in a Financial Times inter-

view that Britain needed a prolonged period of low inflation to re-establish its economic credibility. He would like Parliament to give the Bank the statutory obligation to strive for stable prices.

He also made clear that he is profoundly sceptical about operating monetary policy according to specific monetary targets. Although he fully agrees with official policy that now will not be the right time to join the ERM, he emerged as a man who will not be afraid to do battle with the Treasury in support of policies that he thinks are right.

Although Mr George has spent his entire career in the Bank since leaving Cambridge in 1962, his appointment as Deputy Governor from the end of February will mean quite a change in his own working life.

As executive director for Home Finance, he headed a relatively small team in charge of policy making and day-to-day management of financial markets. He will now have to share responsibility for administration in the Bank and supervising the City of London.

He will also become the new partner to Mr Robin Leigh-Pemberton, the Bank's Governor, in what had become an effective double act. Sir George Blunden, the present

Deputy Governor, was originally brought back from retirement to the Bank at the beginning of 1986 to restore morale after the Bank's problems with the loss-making Johnson Matthey Bankers.

However, Sir George, a tough former bank supervisor, grew to be a much more significant figure. Mr Stephen Fay, in his book *Portrait of an Old Lady*, described Sir George thinking and behaving "as if he were Leigh-Pemberton's alter ego."

Mr George would like to see the Bank becoming more independent of politicians and Whitehall. A statutory obligation to strive for low inflation would give "greater clarity of purpose", he says. Yet it could come about only if there was broad political acceptance of that goal in Britain.

He is confident that such acceptance already exists for British entry into the EMS exchange-rate mechanism across the political spectrum. "That is the next major step." However, he is "very happy" with the "received wisdom that it would be unwise to enter until the economy is in better balance" with inflation lower.

Mr George will not speculate on the date of Britain's entry into the ERM and is reluctant to think much beyond stage one of the Delors plan. However, he believes there is a chance that the EC will reach a "de facto soft monetary union" after a gradual evolutionary process.

Achievement of domestic monetary stability in the member states would be a precondition for successful co-operation on monetary policy in the Committee of European Central Bank Governors. However, he is sceptical as to whether the committee can set monetary targets as advocated by Mr Karl Otto Pöhl, the Bundesbank's president. The Bank is unlikely to conduct its domestic money market operations with European objectives in mind.

Indeed, using the carefully coded language of a life-long central banker, Mr George makes clear that he has little faith in monetary targets in the context of domestic policy.

His new job will bring him more into contact with the Bank's supervisory functions: ensuring that the financial system works safely and smoothly to bolster London's leading role to European markets.

The agenda here is big and technically complicated, likely to provide plenty of work over the next decade. It involves overseeing the banks' fast

growing securities businesses and ensuring good relations with securities supervisors and making sure that settlement systems are efficient.

Those who know Mr George well, with his consuming interest in the drama of monetary policy and markets, find it hard to imagine him becoming absorbed with administration and supervision. At 8.30 yesterday on a grey London morning, he looked every inch the market operator. Pausing occasionally to light a cigarette, he gave the impression that he had - like the financial markets he monitors - been awake for many hours.

The length of his 27-year career at the bank has puzzled those who know what value his knowledge could command in the private sector. Although rumoured to have been offered a salary of £1m to join a City bank, he has always preferred to stay with the Old Lady.

Mr George joined the Bank with the aim of staying for five years and seeking a job with the World Bank. He changed his mind after just a year.

In a rare moment of sentimentality, he said: "I love this place; it is the sort of institution which evolves. It's got traditions and history. It's full of nice people. And the job is worthwhile, if that doesn't sound too stuffy."



Eddie George: "The sort of institution which evolves"

Tories and Big Ben call time on socialism

By John Mason

WITH the ancient rhythms of East Europe crumbling by the hour, MPs at Westminster yesterday turned philosophers to reflect on socialism's future.

For Tony Benn, the five-hour debate was a chance to reveal, through developments behind the Iron Curtain as proof of the worldwide efficacy of Thatcherism and the international collapse of the left.

For Labour, it meant a return to basic thinking.

For both, it was an opportunity to pour personal abuse on the heads of opponents.

"If Russia invaded the Sahara desert, nothing would happen for 10 years but then there would be a shortage of sand," Mr Neil Hamilton, a noted right-winger, said in his opening contribution, setting the level of the day's debate.

Refugees were not fleeing from liberal capitalist countries, he said, then they were fleeing from the existence of so many Chilean exiles.

The protesting peoples of East Europe were not inspired by the petty nationalism of the "hitler from Grantham" whom Mr Tony Benn, the Labour left-winger.

If playwright Vaclav Havel became President of Czechoslovakia it would be a victory for democratic socialism, he said, looking forward to the day when Downing Street was stormed and Dennis Pooters of Grantham installed in the Prime Minister's place.

Mr Kenneth Baker, the Tory Party chairman, lost no chance to exploit the changes in East Europe as he listed the differences between its faltering Communist leaderships and the social Labour party.

Mr Baker said Mr Egon Krenz was more decisive and convincing a leader than Mr Neil Kinnock. He argued that only a few people could join the Communist parties in East Europe, but any old Trotskyite could sign up with the Labour Party.

Some had described the Soviet policy of letting East European countries develop in their own way as the "Sinatra doctrine." That was the best joke to come from Russia since Khrushchev's grain forecasts, he continued.

But for others, such as Labour's Eric Heffer, the future of socialism was no such laughing matter. Citing names such as Kier Hardie, Rosa Luxemburg, James Connolly and the Webbs from the left's roll of honour, he explained in painful detail how true socialism had yet to be realised.

That other venerable sage of the Labour left, Mr Tony Benn, said the roots of socialism went back far further than that. It began in the book of Genesis, he explained, with the story of Cain and Abel and his teaching about being my brother's keeper.

He denied Mr Hamilton's assertions that East Europe was now gleefully embracing capitalist values. "Do you believe that what is happening in Warsaw is because they are clamouring for a poll tax, that they are yearning to sell off their water supplies in Uzbekistan?"

His optimism was as unshakable as ever - only internationalism and socialism could secure a just distribution of the world's resources, Mr Benn said. But as he spoke, Big Ben ground to a halt.

The clock, which is acknowledged as one of the most reliable in the world, did not move for over three hours because of a fault in its escapement mechanism, which allows movement of the cog controlling the hands.

Charles Kennedy (Lib Dem, Ross Cromarty and Skye) made a timely intervention in the debate, saying that although "time has run out on socialism", the clock also seemed to have "stopped on the Conservatism of this Government."

Arts dealer loses forgery claim

ART DEALERS were yesterday warned by the Court of Appeal that they had only themselves to blame if, using their own judgment, they bought a forgery believing it to be genuine.

The court dismissed an appeal by Barington & Leister Enterprises, a dealer which paid £6,000 for what was thought to be a painting by the German expressionist Gabriele Muntz (1877-1962), but was later found to be a forgery worth only £50 to £100.

The dealer, which refunded the purchase price, bought the painting from Christopher Hall Fine Arts, a dealer in an unsuccessful breach-of-contract claim against Hill under the 1978 Sale of Goods Act.

Lord Justice Bingham said that whether goods were fit for resale could not depend on whether they could be resold without making a loss.

UK NEWS

Thatcher backs Airbus role

By Paul Betts and Charles Leadbeater

MRS Margaret Thatcher gave her unqualified support yesterday to British Aerospace (BAe) and the UK's involvement in the European Airbus programme. She said they were "absolutely vital to the whole economy of the UK".

The Prime Minister's statement at the opening of BAe's new £15m Airbus technical centre at Filton, near Bristol, appeared designed to dispel any idea of strains in her relationship with BAe in the wake of the Rover takeover controversy.

At the same time, Mrs Thatcher sought to underline her commitment to the European Airbus co-operative programme. She said the government support for both the A-320 short-to-medium range aircraft, in which she flew for the first time yesterday, and the A-330-340 wide-bodied longer-range aircraft had been "good investments".

The Government has provided BAe with £250m in launch aid for the A-320 and £450m for the A-330-340 programme. BAe has a 20 per cent stake in the four-nation Airbus programme.

Mrs Thatcher also said investment in fundamental research and high technology to create a science-based, knowledge-based economy was a priority.

Professor Roland Smith, BAe's chairman, confirmed that the UK group was a "committed partner" in Airbus, which had become, he said, an "outstanding success" in terms of its product. However, he insisted that the consortium now had to prove that it was a commercial success.

He indicated that the arrival of Daimler-Benz through its recent takeover of MBB, the West German Airbus partner in the European programme, was expected to strengthen

BAe's campaign to turn Airbus into a more commercially oriented venture.

However, Professor Smith's comments came as Airbus confirmed that Mr Robert Smith - a seconded from British Aerospace - was to leave the consortium after serving as its finance director for only eight months.

The consortium is interviewing candidates to replace Mr Smith, who was appointed as part of the Airbus management restructuring.

Airbus said yesterday that Mr Smith, who appears to have become disenchanted with Airbus, had decided to pursue a career outside the aerospace industry with Brel, the railway rolling-stock manufacturer. He was seconded to Airbus from BAe's Royal Ordnance factories.

Mr Smith's departure follows the resignation of Mr Adam Brown, another BAe seconded

as vice-president in charge of strategy at Airbus.

The resignations are likely to damage BAe's reputation with its partners, who are expected next month to resolve the long-running dispute between France and Germany over German demands to transfer assembly of the A-320 from Toulouse to Hamburg.

A new report on that controversial issue commissioned by the four Airbus partners has now been submitted to the Airbus supervisory board, which is expected to take a decision at a meeting next month.

The Airbus officials are also increasingly concerned by the possible repercussions of the strike at BAe by UK engineering unions working on the aircraft. Aérospatiale has already cut the rate of final Airbus aircraft assembly at Toulouse to avoid a complete shutdown of production should the UK strike continue.

Charities fight tax on credit card donations

By David Birchard

CHARITIES ARE to lobby the Government next week to change a ruling by Customs and Excise that donations through charity-linked credit cards are liable to tax.

More than 70 affinity cards - credit cards that triggers donations to charity when used - have been issued by banks and building societies in the last two years. It had been assumed that donations would be tax-free.

However, Customs and Excise has now ruled that charities must pay value added tax of 15 per cent on earnings from them. The ruling is based on the argument that charities are receiving payment for services because they make their name, and sometimes their mailing lists, available to the commercial firms, who use them for commercial purposes.

To make matters worse for the charities, the Inland Revenue is investigating whether corporation tax of 35 per cent should also be paid on the donations.

Facing an absolute hammer blow, said Mr Michael Hannon, finance officer at the Imperial Cancer Research Fund, one of the three charities sponsoring the Leeds Permanent Visa Card. "I am sure that the members of the public who support affinity cards are not aware that 50 per cent of the proceeds could go in tax to the Government."

In most cases, the issuing bank makes a donation to the specified charity for each new card and gives between 20p and 50p for each £100 spent using the card.

The amount of money they earn for charity is difficult to estimate but it probably runs to several million pounds.

Leeds Permanent Building Society said it had raised donations totalling £1m in a year through its Visa card and expected to raise at least as much again in the coming year.

Midland Bank and National Westminster Bank have decided to pay any tax due as well as making the donation, but some smaller institutions have told charities that they cannot afford to make an additional tax payment and the amount will have to be paid by the charity.

Ambulance crews in London refuse to take controllers' calls

By Fiona Thompson, Labour Staff

LONDON ambulance crews stepped up their industrial action yesterday and refused to take calls from controllers at the London Ambulance Service headquarters. All 999 emergency calls were put through to Scotland Yard and passed on to the army, police and voluntary agencies.

The move signified a sharp escalation of the action in the 13-week pay dispute and lays ambulance staff open to the charge that they have broken their pledge to stress throughout the dispute - that they will always answer accident and emergency calls.

The crews said they will answer all direct calls made to ambulance stations from the public, the police, the fire service and doctors. But the unions representing the London crews had no information last night about how many calls were being answered by staff who were on strike.

The London crews took the decision to refuse calls from



Duncan Nichol has moved a considerable way

the remaining 50 per cent being handled by the army and police had not been dealt with quickly enough.

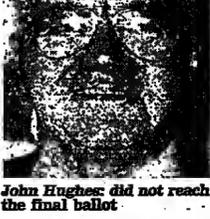
Mr Roger Poole, chief trade union negotiator, wrote to Mr Duncan Nichol, NHS chief executive, yesterday formally rejecting Mr Nichol's suggestion of a Christmas truce. Mr Nichol repeated that the 9 per cent offer over 18 months remained the final offer and again ruled out a pay formula.

"Management has moved a considerable way since the beginning of the dispute, whereas you are still pressing exactly the same points in exactly the same way as when we met in Acas in October," said Mr Nichol.

In Birmingham, the army were last night poised to move in. Eight military ambulances were on their way to take up positions at the city's police stations after the unions warned they could not guarantee minimum staff cover over Christmas.

Third Labour MP deselected

By Alison Smith



John Hughes did not reach the final ballot

MR JOHN HUGHES, the Labour MP for Coventry North-East, was deselected on Thursday night without even reaching the final ballot.

Mr Hughes, the third Labour MP to be deselected this year, came third behind the new candidate, Mr Bob Ainsworth, a Jaguar shop steward. The second place went to Mr Bill Lapworth, the district secretary of the Coventry branch of the Transport and General Workers' Union.

Party sources described Mr

Ainsworth as a Kinnoctite and said that the result was not a surprise.

Mr Hughes, who won the seat only in 1987, did not attend Thursday's selection meeting.

Earlier this week, it was announced that there would be an inquiry into the ballot at which Mr Gerry Bermingham, the MP for St Helens South, was deselected. Mr Frank Field, the MP for Birkenhead who was deselected last weekend, has said that he will present evidence about his selection battle to the National Executive Committee, and hoped to resubmit himself as a Labour candidate for the seat.

Mr Laurie Pavitt, the MP for Brent South from 1974 to 1987, died yesterday at the age of 75. He had served as a government whip (1974-76) and as parliamentary private secretary to two ministers. Mr Neil Kinnoct, the leader of the Labour Party, said that he was "greatly saddened" to hear of Mr Pavitt's death.

SmithKline Beecham will shed 344 jobs

By Peter Marsh

SMITHKLINE BEECHAM, the Anglo-US pharmaceuticals and consumer products company, has announced a shake-up of its UK drugs operation.

It will involve a net loss of 344 jobs over the next two years, which amounts to 12 per cent of its pharmaceutical workforce.

The job losses, which had been expected, follow the formation of the new company during the summer after the merger of Beecham of the UK and SmithKline Beecham of the US.

The company has been endeavouring to eliminate overlapping and duplicated activities by an extensive restructuring.

Most of the job losses will be in areas related to drug production and administration. They will be mainly at Welwyn Garden City in Hertfordshire, at Welwyn and Crawley in Sussex, and at Brentford in the west of London. The company said it hoped to keep research and sales staff at the present levels.

As part of the reorganisation, the group is to locate the head office of its British drugs operations at Welwyn Garden City, the former UK headquarters of SmithKline Beecham's medicines division.

Drug convictions follow Soviet aid

A SOVIET-British customs operation that blocked the smuggling of £10m worth of drugs into Britain through the Soviet Union brought to justice a gang that had already imported more than £30m worth of cannabis.

Two men were convicted at Chelsea Crown Court yesterday at the end of a three-month trial at which a senior Soviet customs officer made history by appearing as a prosecution witness in a British court. The two will be sentenced later, as will three other members of the gang who pleaded guilty.

The collaboration, codenamed Operation Diplomat,

began after an agreement between Mrs Thatcher and President Gorbachev to co-operate in tackling international drug trafficking.

In February last year Soviet customs told the British embassy in Moscow that they had seized 35 tonnes of high-quality Afghan cannabis resin destined for Britain, found during a routine check of two rail containers en route from Afghanistan to Britain.

The containers were repacked and resailed in the presence of a British Customs officer, then shipped from London to Tilbury where, without the gang's knowledge, the drugs were removed.

After giving evidence at the trial, Mr Vladimir Skripnik, a senior Soviet Customs officer, said that without the agreement between the two countries the drugs would have been destroyed and there would have been no arrests.

Under the UK-Soviet agreement, the Soviets have been alerted to suspected routes through the Soviet Union for drugs from Afghanistan, Pakistan and Turkey and have been taught and equipped to identify "stuffers and swallows" carrying drugs in their bodies.

In return, the UK has supplied information about drug seizures and Soviet training methods.

Johnson Matthey loses tax case over £50m payment

By Raymond Hughes, Law Courts Correspondent

THE INLAND Revenue has won its appeal over the tax status of £50m injected by Johnson Matthey into its collapsed banking unit in 1984.

In the High Court yesterday, Mr Justice Vinelott overturned a ruling by tax commissioners that the £50m put into Johnson Matthey Bankers was a revenue payment made for the purposes of Johnson Matthey's trade.

The effect of the decision is that Johnson Matthey cannot after all deduct the £50m from its profits for tax purposes. The payment was made as part of

the Bank of England's rescue of JMB. The Bank offered to purchase JMB's shares for £1, provided Johnson Matthey put in £50m before the sale. The Bank also agreed to provide a £250m standby facility for Johnson Matthey.

The judge said that Johnson Matthey had been worried about the effect on its platinum business of the loss of confidence that would follow JMB's collapse. The Bank of England's concern had been the repercussions on the whole banking system.

The tax commissioners had accepted Johnson Matthey's contention that the £50m had been a revenue payment because it had been made solely to preserve Johnson Matthey's trade from collapse.

The Revenue, which argued that it had been a capital payment, said that the commissioners had erred in looking only at the purpose of the payment and ignoring the way that purpose had been achieved. The judge said that Johnson Matthey had found itself in the position that, unless the Bank of England was prepared to support JMB,

GKN engineers reject package

By Diane Summers, Labour Staff

ENGINEERING workers at GKN Sankey's Telford plant have rejected a complex pay and working practices package. The proposals included an offer of a reduction in the working week of two hours to 37 hours.

Two-thirds of the workforce voted to send the proposals back for further negotiations. The remaining third of workers will vote again on Monday.

The unions involved stressed yesterday that this should not be seen as a setback for the campaign by engineering unions to achieve a reduction in working hours.

The proposal on hours is believed to be acceptable to workers at GKN - the sticking point is principally on wages and other conditions in the package.

The hours proposal would

also be broadly acceptable to the Confederation of Shipbuilding and Engineering Unions which is co-ordinating the campaign.

Striking manual workers at the Hillington, Glasgow, plant of Rolls-Royce are voting again today on a deal that would lead to a two-hour cut in the working week. A mass meeting last Monday, against advice from shop stewards, rejected initial proposals for a 37-hour week; workers favoured a 4 1/4-day week, rather than a three-day weekend every fortnight.

Management at Rolls-Royce yesterday sent a letter to all manual workers at the Hillington factory reiterating threats that "substantial lay-offs" would be unavoidable unless the dispute were resolved.

Agreements on a 37-hour

week have already gone through at NEL-Parsons, a Tyneside subsidiary of Rolls-Royce, and at Smiths Industries' plant in Cleeveham. At British Aerospace, management has refused to negotiate hours until strikes at three of its plants are called off.

The shorter working week campaign is due to review tactics on Monday when 300 shop stewards meet in London. The stewards will examine the situation at BAe and look at the effect of the recent reduction from £25 a week to £80 of strike payment from a national levy. The meeting will also review the timing of the next tranche of "targeted" companies in the campaign - these are likely to be the Weir group, Cattons, and the Lucas group.

Vauxhall claims 9.7% offer accepted

By Lisa Wood

VAUXHALL, the vehicle manufacturer, yesterday claimed that it had won acceptance for its 9.7 per cent pay offer at both its plants after an undisclosed majority of balloted workers at Luton accepted the deal.

Workers at Ellesmere Port, Vauxhall's other plant, at a mass meeting last week had been split over the improved offer, with the ABU engineers' union and the EETPU in favour and the TGWU union against. But, said Vauxhall yesterday, it believed that when the number of acceptances at Luton were added to those at Ellesmere it would have overall acceptance.

Vauxhall said pickets had been withdrawn at Luton and staff would be working as normal on Monday. Since October workers at both plants have been withdrawing their labour for 24 hours each week. Action was not taken on Friday at Ellesmere because of the ballot.

The ballot was called after the company and sections of the Luton workforce were unhappy with the decision to reject the offer at a mass meeting at Luton last week, the day after the Ellesmere Port mass meeting.

Vauxhall is offering a 9.7 per cent increase to basic pay plus an extra day's holiday for

everybody and an additional day for long serving employees. Workers will also receive £200 cash and partial payment of next year's profit sharing, about £50 per person.

The company is also offering improvements to the pension plan and the non-contributory sick pay scheme. The latter relates to the first year of the two-year agreement and will continue if targets are met. Part of the union's claim was a reduction in the 39-hour working week. Vauxhall said that if the rest of the car industry moved in this direction it would explore the possibility with the aid of the joint negotiating committee.

A merger of reforms and high standards

In his final article on private schools, David Thomas looks at the national curriculum

BRITAIN'S private schools have had to pause and take stock as they prepare to enter the 1990s. The past decade has been good for them, but they are being questioned at the Government's educational reforms - a string of initiatives dreamt up for a quite different set of schools.

The most important of those for the private sector is the national curriculum, which state schools in England and Wales began to introduce in September.

Theoretically, private schools can ignore the curriculum, since they were excluded from the Education Reform Act. Yet few in the private sector believe that to be an option.

"We're taking it on board. I think we must. Our parents will want it," says Mr John Keyte, headmaster of Beaudesert Park, a Gloucestershire prep school.

Mr Keyte's comment is typical. Private school heads believe that parents expect them to cover everything in the state sector - and then a whole lot more. They will have to set the tests for pupils at ages seven, 11 and 14, as demanded under the curriculum, if only because some pupils move between the state and private sectors.

Few are only a handful of the most famous senior schools contemplate ignoring the curriculum.

Mr James Sabban-Clara, Winchester's headmaster, believes the pressure to prepare his pupils for entry to university conflicts with the national curriculum. The most elite schools will have to adapt to plans to merge the demands of the national curriculum and



Outward traditionalism: often hand-in-hand with modern teaching methods

the public-exam system. The trend, already in train for the 16-plus GCSE exam, will have implications for the sixth form.

There are, some believe, positive reasons for the private sector to adopt the national curriculum. Mr Arthur Hearden, general secretary of the Independent Schools' Joint Council, explains: "The curriculum will introduce a new professionalism into teaching."

Yet even champions of the curriculum such as Mr Hearden acknowledge the misgivings about it within the private sector. They boil down to two main worries:

- Scope. The national curriculum will force private schools to change their timetables if they carry it out to the letter.
- In one respect, that will be beneficial. The curriculum says schools must teach science and technology to all pupils aged between five and 16.

Many prep schools are pre-

paring to start their science and technology teaching at an earlier age, while private schools for girls, in particular, are reassessing their technology teaching.

The impact of the national curriculum on the 14-16 age band is causing widespread concern within the private sector. The curriculum lays down 10 compulsory subjects for that age group.

On the one hand, some private schools have not been teaching all the curriculum subjects.

On the other hand, and more importantly, many private heads want to continue with subjects excluded from the curriculum - notably classics, a second foreign language and three distinct sciences. The question is how they can be crammed in.

● Standards. Some independent heads are worried about standards in the curriculum, crystallising a more general disquiet with the whole drift of educational change.

Some schools see the jump in grades recorded by their pupils under GCSE as evidence that the new exam has depressed standards. Some heads also question whether the national curriculum, which is to be dovetailed with GCSE, is relevant to pupils' needs.

In public, most private heads say that their schools are doing everything in the curriculum and many of their pupils are working to standards that are considerably beyond it.

The implication - that they will be able to adapt to the curriculum fairly painlessly - seems to an outsider an odd reason for expending so much effort on administering the curriculum's battery of tests.

The debate goes to the heart of the main educational developments in Britain over the last 20 years. It is about the

core assumptions underlying educational theory and practice - teaching skills rather than facts, for example, and doing the learning by the learning by doing is better than learning from a blackboard - are central to the curriculum's philosophy.

This private schools, with their small classes and expensive facilities, have been able to extract what is sound in these notions, while producing the exam results expected by fee-paying parents.

Private schools look set to adopt for no very compelling educational reasons a curriculum whose rationale is to tackle the problems of a quite different group of schools - the worst performers in the state sector.

It would be the height of irony if the independent schools were to prove more adept than their state counterparts at extracting what is sound in the national curriculum and discarding the dross.

Bakers vote to accept 8.85% offer

By Lisa Wood, Labour Staff

FEARS OF disruption to bread supplies during the Christmas season have helped persuade bakery workers to accept an 8.85 per cent offer.

A ballot of workers at Allied Bakeries (part of Associated British Foods) and British Bakers (owned by BEM) resulted in 4,836 voting to accept the offer and 2,602 against.

Negotiations have been going on for some weeks between the Federation of Bakers, which represented Britain's two largest bakers - the only two to be covered by a new agreement - and the Bakers, Food and Allied Workers' Union.

The improved offer will mean £10 on the basic rate - taking basic pay for workers on the bottom of four grades to £23.12. Improvements had also been made on the original offer on sick pay, safety issues and holidays.

Brel agrees with unions on pay and conditions

By Fiona Thompson

THE National Union of Railwaymen and the Confederation of Shipbuilding and Engineering Unions have agreed a pay and conditions package with Brel, the recently privatised railway manufacturing company, giving pay increases of 13 per cent.

The unions have also secured an additional day's holiday next year as well as a 20-minute rest break. The timescale for the introduction of the shorter working week will be agreed during the next pay round.

The company has gained acceptance from the workforce of changed working practices allowing more flexibility and mobility. Multi-skilling will be introduced, resulting in the traditional demarcation lines ceasing.

The company has also

bought out all the long-existing railway linked enhancements.

The deal covers 6,500 workers at four plants, two in Derby and one each at York and Crewe, and will be backdated to April 1989. The agreement puts skilled craftsmen on £188.89 a week and unskilled staff on £151.53 per week.

Mr Brian Arundel, headquarters officer of the NUR, said the deal was a good one. It was a "modest settlement in a post-privatisation situation".

The negotiations over the pay and conditions package continued for a number of months. But the NUR said last night that unlike a number of newly privatised companies which within 12 months stripped workers of benefits, the deal agreed with Brel management provided many benefits for the workforce.

BT managers plan to step up industrial action

By Diane Summers

MIDDLE management at British Telecom is stepping up action with immediate effect following the failure of talks on a new pay structure and individual contracts.

The Society of Telecom Executives, which represents 29,000 of BT's managerial and professional staff, has told its branches to look at ways of tightening an existing withdrawal of goodwill. A ban has been imposed on weekend working.

A strike ballot is planned by the union for January or early February. If, following the ballot, a national strike is called, it would be the union's first.

Acas to mediate at Manchester Airport

By Ian Hamilton Fazey, Northern Correspondent

THE Advisory, Conciliation and Arbitration Service (Acas) was accepted as mediator by both sides in the two-week-old Manchester Airport baggage handlers' strike yesterday but talks remained deadlocked after nearly eight hours.

An airport spokesman said that prospects of a settlement during the weekend were "not hopeful". The 550 handlers - who rejected a pay formula on Thursday - are due to meet again on Monday.

The airport remained closed for the fifth successive day as some firemen - like the handlers, members of the Transport and General Workers' Union - refused to cross picket lines, reducing safety cover below the minimum.

Passengers are still being advised to check in at Manchester as normal and about

400 coaches are being used by airlines to ferry them to Liverpool, Leeds-Bradford and Blackpool airports from where Manchester's 300 flights a day are now operating.

Manchester is losing up to £150,000 a day in landing fees, while shops and services in the terminal buildings have laid off staff and closed down. The airport management says the dispute has now cost or lost several million pounds.

The dispute has now focused on parity between the handlers and the airport's 250 security guards, who are also in the TGWU.

The handlers want the same conditions of pay but management says they are not offering similar flexibility and productivity. Management says it will concede parity if the handlers match the guards' flexibility.

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Pay, prices and jobs

AS THE BRITISH middle class takes its carefully rationed, but now accustomed, windfall from water privatisation, will it look more favourably on the interest rates it has to pay? It seems unlikely. The Government is as responsible for the property-owning democracy as for popular capitalism. A privatisation hand-out is no substitute for lower rates of interest.

Not even a kinder, gentler Mrs Thatcher will make up for present pain. Mrs Thatcher may be polite to European leaders in Strasbourg. She may even be polite about the European Monetary System. But this is little consolation for a newcomer to property ownership now contemplating the negative equity in her house and the ravages of current interest rates upon her standard of living.

Interestingly, some monetarists are in the forefront of those concerned about current policy. In his introduction to the latest Quarterly Economic Bulletin of the Liverpool Research Group in Macroeconomics, Professor Patrick Minford states that "monetary conditions are from any objective point of view quite tight enough, and indeed too tight." The facts do not support him.

Monetary aggregates

The doubling of interest rates has had a remarkably little effect upon the monetary aggregates. Professor Minford claims that his favourite measure, M0 or narrow money, is now growing at around 5 per cent. This is perfectly correct for the past 12 months as a whole, but its growth has accelerated, to just under 8 per cent on a seasonally adjusted annual basis over the six months to October. Equally, the broad monetary aggregates are still showing growth of around 20 per cent over the latest six months. Monetary policy may well be too tight, but the monetary aggregates are keeping quiet about it.

The question is whether the evidence of slowdown in the real economy should offset the contrary evidence of the monetary indicators, which are still flashing from amber to red. Many of the indicators, including exchange rates, which "you cannot ignore," as no less a person than the Prime Minister told the Financial Times this week, though "you also know that what you can do about it is limited."

The argument is decided by another set of indicators on the labour market. Falling strong downward pressure in the immediate future, wage inflation will soon be entrenched at a new higher rate of 9 per cent to 10 per

cent. This would ensure that the 6.1 per cent retail price inflation (excluding mortgage interest payments) reported yesterday becomes, not a temporary exception, but the new floor. If so, membership of the exchange rate mechanism of the EMS will, on the Government's notorious conditions, remain a distant dream.

Fall in jobs

Seasonally adjusted unemployment has, perhaps surprisingly, fallen by another 25,000 in the month to November 8, while the underlying increase in the index of average earnings in the economy was 9.4 per cent once more. Meanwhile, productivity growth in manufacturing is estimated at a mere 3 per cent in the three months to October and unit costs in manufacturing are rising at around 6 per cent.

These data cast a gloomy light on Britain's problems. We have been told by Mr John Bingham, Director General of the CBI, that "there can be only one going rate; it is for unit labour costs, and it must be negative." If that is so, manufacturing industry should now, on average, be offering 3 per cent increases in wages. Needless to say, this has not happened, despite the falling growth of productivity. Nor was it in the least likely to.

Pay increases are, quite simply, far too high and the notion of productivity-related pay is no help. The logic of productivity-related pay is that ever-growing differentials would smother people with the same skills who work in different firms and industries. This would waste labour, because efficient firms would remain too small and inefficient firms too large. It is, in fact, precisely the sort of inefficiency that the UK has experienced over the last eight years, since increases in productivity in British manufacturing have led not to more employment and greatly increased output, but to higher wages and profits, instead. Pay should depend on what is required to hire and motivate staff - and no more.

The problem is that no individual firm is concerned with the general level of pay increases. That is the concern of a government. For that very reason it will have to continue squeezing all firms, however clamorous the complaints may become. Only a recession is likely to bring wage inflation to more sensible levels. Mr Leonidas Orfanedes, who has argued that the Government made no promise of a soft landing. If the Government is, indeed, serious about lowering inflation once more, the landing is now certain to be bumpy.

"Once the debate is about numbers there are no issues of principle to be discussed, only how many? The argument about numbers is unwinable because however many you decide upon there will always be someone to campaign for less and others for whom one is too many."

Robert Moore, *Racism and Black Resistance in Britain*, 1976.

The British Government, not for the first time, is learning the truth of those words as it searches for shelter from the political hurricane which has blown up over how many Hong Kong people should be allowed to settle in Britain. Immigration storms have, like hurricanes, followed the same broad pattern for decades. First the climate starts to deteriorate far away (in this case, collapsing confidence prior to China's takeover of Hong Kong in 1997); the Government issues some limited protection from the elements (full right of abode in Britain for key Hong Kong citizens to encourage them to stay put for the time being); the darkening clouds then move nearer home (MPs start to make angry noises); the Government gets caught full in the storm (furious backbenchers monopolise the airwaves to threaten rebellion or worse).

These eruptions, like the weather, affect both the main parties. Both Conservative and Labour understand a variety of post-war leaders have tightened controls on immigration in response to populist sentiment, often racist in tone. Both have been engulfed before in the sort of furor now surrounding the Hong Kong issue.

The Government faces a dilemma. Hong Kong will be handed over to China in 1997 under the terms of the 1984 Sino-British Joint Declaration. Mrs Thatcher signed it, with grave misgivings about the lack of guarantees for the Hong Kong people, under Foreign Office pressure. Her instincts have been proved right. The Chinese have been increasingly stubborn against British attempts to negotiate the detail of the declaration. They have resisted plans to give much more autonomy and democracy to Hong Kong people and will give no assurances on issues such as political and police rights or the use of the police and army against demonstrators.

Anxiety has been rising steadily in the colony since 1984. It reached panic levels in June when hardline conservatives replaced liberal reformers in China's Politburo. The Chinese People's Liberation Army was ordered to open fire on peaceful demonstrators in Tiananmen Square, killing a large number. At the same time it was plain that neither Britain nor any other country was prepared to offer citizenship to

Robin Pauley looks at the issue of immigration from Hong Kong to the UK

Dilemma of a colony's anguish

The entire Hong Kong population to provide an insurance policy if things went disastrously wrong after 1997. About 3.2m people in Hong Kong have British passports but under successive immigration laws these passports have been denuded of the automatic right of abode in Britain. Holders can enter Britain but they cannot stay.

Hence the outflow of Hong Kong's brightest and best qualified people in search of citizenship and passports has been directed to other countries, principally Canada, Australia and the US. Departures will soon exceed 1,000 a week. The old ladies who sell noodles around the seething streets of Hong Kong are not going, but the secretaries, accountants, financial managers, the skilled, the bilingual, the backbone of the thriving economy are.

Various campaigns have urged Britain to restore confidence and stem the loss of talent by issuing full passports to encourage people to stay in Hong Kong in the secure knowledge that they would not be trapped in what Sir David Wilson, the colony's Governor, has described as any future "Annapolis".

The Hong Kong business community would not issue full passports to all, has been arguing for enough to maintain the thriving commercial base plus its administrative counterpart in the public sector. A Price Waterhouse survey concluded that in addition to those already holding full passports another 250,000 to 300,000 were needed for essential employees. Adding their wives and children would bring the total up to 700,000-800,000. The Government is planning a much lower figure: about 40,000 which would mean a total of 140,000-160,000

when dependents are added. This figure, when announced next week, could find the Government in the worst of all worlds. It will be too small to prevent dismay in Hong Kong and too large for the Government's supporters in parliament. The result could be a further loss of confidence in Hong Kong, accelerated emigration and a decision by the few getting a passport to use it immediately. They might prefer to restart in Britain now rather than wait on in Hong Kong.

It is not clear how many Tory MPs will actually rebel; the objectors are always the noisiest. The Government has been shaken by the strength of opposition but remains confident it can win the day. But the opponents are gathering strength from what Mr Peter Temple-Morris, a more liberal Tory MP representing Leominster, describes as the "more basic" members of the party. Mr John Carlisle, member for Luton North, says: "The Government would be very foolish to allow any in at all. I would slam the door and not have any truck with any sort of compromise. If they introduce legislation they will find it difficult to get it through. There could be a rebellion on a massive and unprecedented scale."

Mr Gerald Howarth, MP for Cannock and Burntwood, says: "The great majority of the party believes it would be a great mistake to allow an influx into this country, particularly if it were on the basis of some alleged moral commitment. I believe a limited number of Chinese could be admitted because they have made an outstanding contribution to the prosperity of Hong Kong."

Not all the opponents are from immigrant-sensitive areas. Mr Ivor



Stanbrook represents Orpington in Kent; Mr Norman Tebbit and Mr Tony Janman represent Essex constituencies. "We don't want them in we don't want a single one of them in. The Government will find a backlash from the back benches on a scale it has not seen for many a year if it goes ahead with this absolute nonsense. It is unthinkable. We shall fight it tooth and nail. There will be one almighty row," says Mr Janman, MP for Thurrock. "There are plenty more. And there is no shortage of Labour Party members who are happy to criticise the Government's Hong Kong policy while privately agreeing with the most vehi-

ment of the Tory anti-immigration faction. There has been no clear picture of Labour policy on immigration and passports from Hong Kong from either Mr Gerald Kaufman, shadow Foreign Secretary or Mr Roy Hattersley, shadow Home Secretary, both of whom represent constituencies with substantial immigrant communities. Labour's approach, which makes sense politically if not morally, may be to leave the Conservatives to burn each other. For both the people of Hong Kong and the British Government the passport issue now looks unwinnable. In that sense it repeats precisely the history of immigration issues to date.

A HUNDRED YEARS ago it was the Jews, fleeing from eastern Europe and Russia, who sparked furious anti-immigration protests at regular intervals. Since similar racially focused protests of one sort or another have surfaced in Britain. The result has been a persistent tightening of immigrant legislation. It is now very hard for any member of a non-EC country to settle in Britain without having substantial personal wealth. The progenitor of today's immigration controls was the *Aliens Act* of 1905, the result of a sustained anti-semitic campaign. In spite of regular anti-black riots, notably in Nottingham and Notting Hill, London, in 1958, Commonwealth citizens who largely escaped immigration controls until the Commonwealth Immigrants Act in 1962. Indeed, for about 15

years after 1945 West Indians were actively recruited to work in the UK's post-war industries. A quarter of the men and half the women who came were trained non-manual workers and a further 50 per cent of men and 25 per cent of women were skilled workers. By the early 1960s, the rate of arrival was speeding up from throughout the Commonwealth. As Afro-Caribbean immigrants, called off virtually all arriving in the mid-1960s, arrivals from the Indian subcontinent picked up sharply and many of these new arrivals had minimal or no skills. In 1969, there had been only 860 immigrants from Pakistan, in 1981 there were 25,100. The 1962 act introduced immigration control for all British subjects except those born in the UK or who held British passports. An employment skills grading system

was introduced. The skills categories were tightened further in the mid-1960s. Mr Enoch Powell's "Rivers of Blood" speech in 1968 preceded the Commonwealth Immigrants Act 1968 which closed the loophole through which people from the former British colonies, Uganda and Kenya, who had retained their British passports were free from immigration control. Absorption in these countries was leading Asians to leave for Britain, and the Labour Government pushed the law through in three days to introduce a voucher system for Asians from Africa. Throughout the post-war period Labour and Conservative ministers have become equally and increasingly hostile to immigration. Virtually all existing immigration law was replaced by the succeeding Conservative

Government in the Immigration Act of 1971, which remains the basis of control. In the same year the Government trailed to 4,500 an annual quota of special vouchers to deal with Asians expelled from Uganda by President Idi Amin. The tighter controls meant that immigration from the "black and brown" New Commonwealth peaked at 68,000 arrivals in 1972, since then most of the growth in the ethnic minority communities has come from births. In 1987, only 46,000 people were accepted for settlement into the UK from the rest of the world, of which 21,000 were from the New Commonwealth. Last year's and this year's figures are about the same. Mrs Margaret Thatcher's decade in office has been marked by further closure of the immigration door in

response to ever stronger demands from her party, usually taken up vociferously - as happened this week over Hong Kong immigration - by Tory MPs in marginal constituencies with significant immigrant communities. The 1981 British Nationality Act introduced three new categories with most Commonwealth citizens becoming British Overseas Citizens. Last year, a new immigration act tightened some of the entry rules and changed the appeal process. The popular debate about immigration remains peppered with myths. Many people believe that most immigrants to Britain have been non-white, that they comprise a large proportion of the population and they have resulted in a large increase in the total population of an already overcrowded island. All are incor-

Freedom's champion

Quentin Peel on Andrei Sakharov who died on Thursday

attending political meetings, drafting speeches, receiving visitors, and organising opposition to the Soviet invasion of Afghanistan and all it represented, stood for a minute's silence in tribute to him. No longer will Mr Mikhail Gorbachev look down from the chairman's seat and see the frail, bowed figure, bald head gleaming, white hair unkempt and the askew, tottering on the aisle, and demanding the right to speak. "Yes, Andrei Dmitriyevich," the Soviet leader used to say wearily, and the chamber would suddenly go quiet. Dr Sakharov lived to see the beginning of the foundations of the law-based state, for which he had campaigned against appalling odds for half his life, being laid.

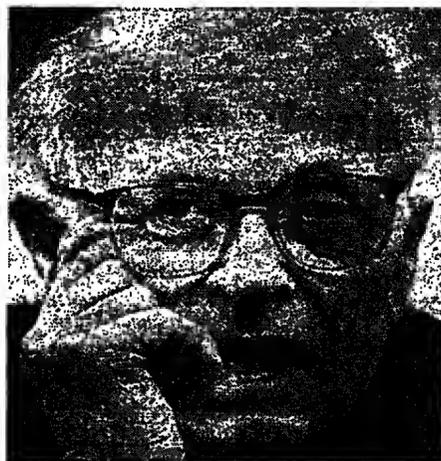
Yet he died too soon to see it really begin to work. The whole perestroika process, political, economic and environmental (for he was one of the first to raise the issue of the awful environmental damage wrought by the Soviet planning system), is still in the balance. Dr Sakharov's uncompromising voice, as the conscience of the Soviet state, was one of the few guarantees that it might eventually work. He died an exhausted man, his health broken by his six years in exile to the bleak provincial city of Gorky, and a lifetime of complete devotion to the defence of others less privileged than himself, although he was kept in a tiny two-room flat, and harassed by the thugs of the KGB throughout his years of exile. At age 68, he looked 10 years older, and yet he never spared himself to the end, tirelessly

Freedom's champion

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ger strikes and standing on lonely vigils in the streets, and tending to the endless tales of political and bureaucratic persecution of ordinary Soviet citizens over cups of tea in his kitchen, and then hounding the authorities to relent. His towering intellect and moral stature, but above all his status as a member of the Academy of Sciences, gave him protection from outright persecution. Yet he was subject to endless harassment by the KGB, from hoodlums attacks, to permanent surveillance, intercepted mail and bugged telephones, occasional arrest, his travel denied, and his requests for rehousing refused. In 1975 he was awarded the Nobel Peace Prize, a hugely popular gesture internationally. The citation read that he had fought "not only against the abuse of power and violations of human dignity in all its forms, but has with equal vigour fought for the ideal of a state founded on the principle of justice for all."

The Tass news agency denounced the move as "a political gesture to fuel the anti-Soviet campaign and impede the process of demilitarisation of the USSR." He was not allowed to Oslo to receive it. He still infuriated Communist Party loyalists, and often Mr Gorbachev himself, to the bitter end. The most abiding vision, and the most dramatic moment of all, was in the closing moments of the first session of the Congress of Deputies, when Dr Sakharov insisted that he be given the rostrum for a final statement. He then read his "Decree on



he was propelled into the forefront of the political debate. When the old guard in the Academy of Sciences tried to exclude him from its list of deputies, his scientific colleagues finally rallied round and rejected the entire list, to ensure his nomination. Of all his qualities, the one most cited by both supporters and opponents yesterday was his absolute sincerity. "Among all the deputies here, he never made any claim to power or office. He was a great man," Dr Gavril Popov, fellow leader of the radical Inter-Regional Group, declared. He still infuriated Communist Party loyalists, and often Mr Gorbachev himself, to the bitter end. The most abiding vision, and the most dramatic moment of all, was in the closing moments of the first session of the Congress of Deputies, when Dr Sakharov insisted that he be given the rostrum for a final statement. He then read his "Decree on

THIRD AGE

BRITAIN is changing. People born in the baby boom after the war are getting older and richer, whilst there are fewer young people joining the job market.

These ups and downs will influence the economy, consumer spending and the recruitment market.

This demographic change has become known as the:

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The victory of Mr Patricio Aylwin, the opposition candidate in yesterday's presidential election...

MAN IN THE NEWS

Patricio Aylwin Veteran leader triumphs for 'all Chileans'

By Robert Graham



March. Although Mr Aylwin stood head and shoulders above the other two highly inexperienced candidates...

Mr Aylwin won obtained 56 per cent of the vote with the remainder split 29 per cent between Mr Hernan Bichi...

The parties have also agreed in advance on a detailed programme of reforms to the 1981 Constitution...

There are obvious tensions among the 17 parties of the opposition coalition, and Mr Aylwin's political skills will be tested in maintaining unity...

By agreeing to the autonomous Central Bank, we wanted to give a very clear signal, says Mr Alejandro Foxley...

He, like other members of the opposition have attacked aspects of Gen Pinochet's economic growth of over 8 per cent for the past two years...

the presence of political parties, which he vowed never to countenance; and only this month he accepted, in spite of strong initial objections...

"The Central Bank agreement (with the opposition) is a sign that Pinochet will leave being Commander-in-Chief of the Armed Forces...

For more than two years the representatives of the Air Force, Carabineros and Navy in the ruling Junta have been looking for a graceful exit...

He shivered beneath the greatcoat. The knocker... in the light of the lantern, it had, through the fog, taken on the grizzled features of the firm's founder partner...

Now, in his bed-chamber, as he drifted into slumber, the phantom of his old partner came upon him. It was Bismarck, in the same waistcoat...

Chancellor Kohl's Christmas Carol

By David Marsh

As the carriage with the three-pointed star crunched to a halt outside his lodgings, it was the door knocker...

He shivered beneath the greatcoat. The knocker... in the light of the lantern, it had, through the fog, taken on the grizzled features of the firm's founder partner...

Now, in his bed-chamber, as he drifted into slumber, the phantom of his old partner came upon him. It was Bismarck, in the same waistcoat...

He, like other members of the opposition have attacked aspects of Gen Pinochet's economic growth of over 8 per cent for the past two years...

muttered Kolge, unconvincedly. The spectre had been thinner, hungrier and fewer in number than in Kohl's own district...

The first apparition was not long coming. Through heavy-lidded eyes, Kolge beheld a noble child, blond, with muscular arms. Kolge was up-ended, and carried out across fields...

Now, in his bed-chamber, as he drifted into slumber, the phantom of his old partner came upon him. It was Bismarck, in the same waistcoat...

He, like other members of the opposition have attacked aspects of Gen Pinochet's economic growth of over 8 per cent for the past two years...

senses. The office workers were thinner, hungrier and fewer in number than in Kohl's own district...

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He, like other members of the opposition have attacked aspects of Gen Pinochet's economic growth of over 8 per cent for the past two years...

LETTERS

Time for an end to the economic blockade against Vietnam

From Mr Peter Carey. The forcible repatriation of Vietnamese boat people from Hong Kong has rightly aroused feelings of shame and anger in many people in Britain...

support for the Khmer Rouge-dominated opposition in Cambodia, Britain has helped to create the conditions which have caused the removal to Thailand of some 200,000 people from Vietnam's northern provinces...

military successes of the 1970s? If Britain were a true ally of the US, it would argue for a more creative policy towards Indochina...

porting poor peasants, the women's union and urban dwellers - believes that poverty is one of the chief reasons why people leave the country...

foreign exchange makes it impossible to import goods, such as fertilisers, machinery and seeds, essential for growing food...

An expensive case of long-term forgetfulness

From Mr Rafael F. Scharf. Sir, I have discovered, by accident, that I had not redeemed a tranche of National Savings Certificates...

watchful eye on their long-term investments. National Savings must derive enormous sums from such forgetfulness and is, no doubt, well aware that the public is being preyed on...

The trouble with Thrifts

From Mr D.E.A. Harrison. Sir, The absence of depositor discipline, highlighted in your editorial (December 6) as a principal cause of the US Savings and Loan crisis...

The risk of a 25 per cent loss would be sufficient to provoke a flight to quality. The omission of such a simple solution from the US Administration's bail-out formula...

Self-regulation in the City

From Mr G.S. Stoney. Sir, Your leader on regulation in the City (December 12) is excellent, but I disagree with your suggestion that self-regulation will soon be dead...

Gold price

From Mr Mark Wilson. Sir, You report (December 14) that British Aerospace finds the Government's indefinite golden share an impediment to its business plans...

Abundant engineers

From Mr Ron Kirby. Sir, Alan Duckert (Letters, December 14) denounces the fact that the "occasional half-page" of names of newly-qualified engineers is outweighed by the number of accountants...

Disciplined engineers

From Mr P.G. Tyrer. Sir, I refer to Max Wilkinson's Lombard column "How not to treat young engineers" (December 11) and to his light-hearted reference to pre-university work experience which was "all splendid discipline, no doubt, if there had been more meat in the stew..."

Self-regulation in the City

From Mr G.S. Stoney. Sir, Your leader on regulation in the City (December 12) is excellent, but I disagree with your suggestion that self-regulation will soon be dead...

Table with columns: Product, Applied rate net, Net CAR, Interest paid, Maturity, Access and other details. Contains various investment terms and rates.

UK COMPANY NEWS

BET plays white knight to Hestair with £192m bid

By John Ridding

BET, the acquisitive UK business services group, yesterday announced an agreed £192m bid for Hestair, the UK personnel services and consumer products group which is fighting a £167m bid from Adia, a Swiss counterpart.

Brunning shares fall after turnaround into £1m loss

By Alice Rawsthorn

BRUNNING GROUP, the advertising and marketing company, saw its shares price plunge by 20p to 97p yesterday when it announced a fall from pre-tax profits of £515,000 into pre-tax losses of £1.19m in the first half of the year.

Lowndes secures £70m refinancing

By Stephen Fidler and Maggie Urry

LOWNDES QUEENSWAY, the loss-making furniture and carpet stores group, said yesterday it had reached agreement in principle on a refinancing which calls for an injection of £70m into the company.

Guinness Mahon 16% expansion

By David Lascelles, Banking Editor

GUINNESS Mahon, the London merchant banking group, reported a 16 per cent rise in disclosed earnings yesterday, capping a turbulent year during which controlling ownership was acquired by the Bank of Yokohama.



James Gulliver. The group revealed a £18.5m interim pre-tax loss in October

Asda falls to £84m and reiterates warning

By Maggie Urry

ASDA GROUP, the food retailer which has acquired 61 Gateway superstores from Isococles for £700m, yesterday confirmed the extent of the interim profit downturn it warned shareholders about 10 days ago.

Waterford Wedgwood shares dip on warning

By Richard Tomkins, Midlands Correspondent

SHARES in Waterford Wedgwood, the troubled glass and china group, dropped 4p to 41p yesterday as the company delivered the latest in a long series of disappointments to investors.

Fisons rumoured to be in talks with VG Instruments

By Nikki Tait

SHARES in VG Instruments, the scientific instrument maker in which BAT Industries holds a 69 per cent stake, jumped a further 61p to 536p yesterday as the company announced that it was in potential bid talks.

Opposition to British Land reconstruction

By Paul Cheseright, Property Correspondent

OPPOSITION among the institutions investing in the British Land reconstruction will lead either to a substantial vote against, or even the rejection, of the plan at an extraordinary general meeting next Thursday.

Wace expands into Europe with Italian buy

By Andrew Hill

WACE Group, the pre-press services company, yesterday announced its first move into continental Europe through the acquisition of Mibel, an Italian transparency duplication, retouching and colour separation services group.

Referral for Tiphook's £9.4m buy

By Andrew Hill

MR NICHOLAS Ridley, the trade secretary, has asked the Monopolies and Mergers Commission to refer the proposed acquisition of Tiphook's fleet of 14,100 units in the UK with the addition of 4,600 trailers operated by Trafletter, which belongs to the Barclays Bank subsidiary, Mercantile Group.

Metal Closures forecasts 45% profits fall

By Andrew Hill

Metal Closures Group, the packaging and printing company, yesterday confirmed earlier warnings when it forecast a 45 per cent drop in 1989 profits in defending itself against a hostile bid from Wessall, the aspiring mini-conglomerate.

LONDON RECENT ISSUES

Table with columns: Issue, Price, Change, etc. Lists various stocks and their recent performance.

FIXED INTEREST STOCKS

Table with columns: Issue, Price, Change, etc. Lists fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue, Price, Change, etc. Lists rights offers.

TRADITIONAL OPTIONS

- List of traditional options including First Dealings, Last Dealings, Last Declarations, and For settlement.

McCarthy & Stone falls to £7m

By John Ridding

MCCARTHY & Stone, the sheltered housing specialist, yesterday confirmed the city's gloomy expectations by announcing pre-tax profits slashed from £34.1m to £7.1m for the year to the end of August.

Cauldon trebled to £901,000

By John McCarthy, chairman

In its second full year of trading since being created to take over William Boulton Group, Cauldon Group saw its pre-tax profits more than triple from £271,000 to £901,000 in the year ended September.

Wellman lower at £800,000

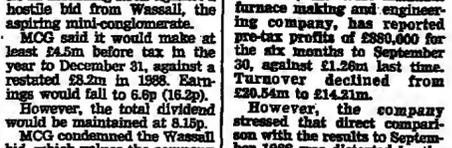
By Andrew Hill

Wellman, the West Midlands furnace making and engineering company, has reported pre-tax profits of £800,000 for the six months to September 30, against £1.26m last time.

Dividends Announced

Table with columns: Company, Current payment, Date of payment, etc. Lists dividends for various companies.

McCarthy & Stone



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MARKET STATISTICS

ECONOMIC DIARY

TODAY: President George Bush of the US, and President François Mitterrand of France, meet in the French Caribbean Leeward Islands.

WEDNESDAY: Third quarter provisional figures for gross domestic product from CSO, London and Scottish banks monthly statement for November.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Feb 90, May 90, Aug 90, and Stock. Lists various options and their prices.

BANK RETURN

Table showing banking department liabilities and assets for Wednesday, December 13th 1989, with increases or decreases for the week.

BASE LENDING RATES

Table listing various banks and their base lending rates for different terms.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Large table showing equity groups and sub-sections with columns for index number, day's change, and high/low values for 1989.

FIXED INTEREST

Table showing average gross redemption yields for various fixed interest instruments like government bonds and corporate debt.

Opening Index 2357.6; 10 am 2350.0; 11 am 2349.3; Noon 2352.5; 1 pm 2362.2; 2 pm 2346.7; 3 pm 2341.7; 3.30 pm 2343.5; 4 pm 2344.7; 5 pm 2342.0

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LONDON, 22 & 23 January, 1990

In the run-up to 1992 and the creation of a single EC market, a combination of pressures is focussing attention on how to create a European workforce in the next decade.

- Mrs Vasso Papandreou
Mr John M M Banham
Mr Richard Pearson
Professor Dr Matti Ojala
Mr Eric G Friberg
Sir Bryan Nicholson
Professor Paul Lee Evans
Mr John De Leeuw

- The Rt Hon Norman Fowler, MP
Sir Edwin Nixon, CBE
Mr Tony Raban
Mr Ivan R Yates, CBE
Professor John Ashworth
Mr Angus Fraser
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Mr Richard T Noonan

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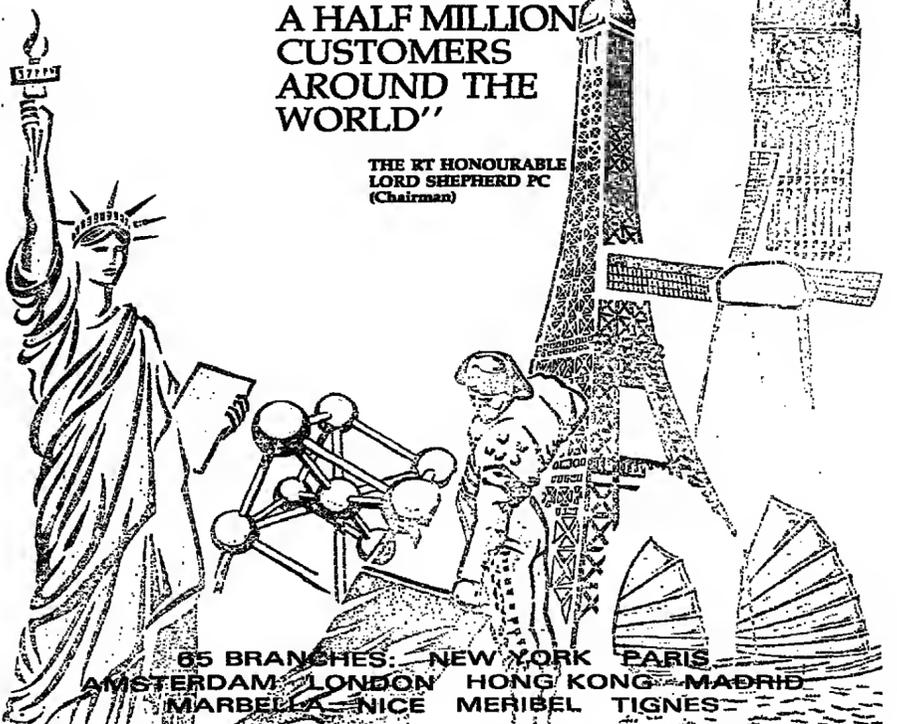
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INTERNATIONAL COMPANIES AND FINANCE

New England bank to lift loss reserves by \$1bn

By Roderick Oram in New York

BANK OF New England said yesterday the continuing decline in the region's real estate market would force it to add more than \$1bn to its loss reserves to cover non-performing assets.

Xerox files software suit against Apple Mac

By Louise Kehoe in San Francisco

XEROX Corporation has filed a suit against Apple Computer charging it illegally used key elements of Xerox software to create its Macintosh personal computer program and misappropriated them as its own.

Merry seasonal outlook for US toy sector

Karen Zagor reports on an industry forecasting firm sales in the run up to Christmas

Christmas is coming and the shelves of stores throughout the US are being raided by parents eager to provide their offspring with Teenage Mutant Ninja Turtles, Tonka trucks, Barbie dolls, Hot Wheels cars and Nintendo video games.



Overwhelming choice: deciding what to ask Santa to bring for Christmas is never very easy

The economy may be softer, but toys are selling steadily. Industry sales generally grow at a slow but steady rate of between 5 and 6 per cent a year, and there are no signs that 1989 will be dramatically different.

run by lawyers and professional managers. Furthermore, toys are now sold almost exclusively in big toy stores or department stores.

Thomas the Tank Engine and Babar the Elephant are given top billing in the catalogue of F.A.O. Schwarz, New York's fancy Fifth Avenue toy store.

The outlook for other companies is less rosy. Tonka expects lower fourth quarter earnings. Revenues in 1989 are expected to be about 5 per cent below the \$907.7m reported in 1988.

Schering in Sandoz link

By Haig Simonian in Frankfurt

SCHERING, The West German chemicals group, and Sandoz, the Swiss-based chemicals concern, are to pool their agricultural chemicals businesses into a joint venture from the middle of next year.

Moreover, the company claimed a degree of geographic complementarity behind the deal, with the bulk of its crop chemicals sales being made in western Europe, whereas Sandoz was also strongly represented in the US and Japan.

High interest rates curb BHP

By Kenneth Gooding, Mining Correspondent

BROKEN HILL Proprietary, Australia's largest company, yesterday reported record results from its steel and minerals divisions but said high interest rates held the advance in group net profits for the half-year to November 30 to only 4.4 per cent.

BBV deadlock deepens

By Tom Burns in Madrid

A TENSE deadlock has set in at Banco Bilbao Vizcaya (BBV), the bank created last year out of Banco de Bilbao and Banco de Vizcaya, over the succession to chairman Mr Pedro Toledo, the former Vizcaya president, who died four days ago.

Gillette in Europe sell-off

By Karen Zagor

GILLETTE, the big US shaving products company with annual sales of more than \$3.5bn, yesterday said it would sell some of its European businesses and realign its shaving and personal care divisions, cutting some 750 jobs, writes Karen Zagor.

World Commodities Prices

Table with multiple columns listing various commodities such as Wheat, Soybeans, Copper, and Oil, along with their prices and market status.

Table titled 'WEEKLY PRICE CHANGES' showing price movements for various commodities like Gold, Silver, and different grades of Wheat and Soybeans.

Table titled 'LONDON METAL EXCHANGE' listing prices for various metals including Aluminum, Copper, Lead, and Zinc.

Table titled 'US MARKETS' providing data on stock indices like the Dow Jones Industrial Average and S&P 500, along with bond yields.

Table titled 'Chicago' showing market data for various commodities such as Soybeans, Corn, and Wheat.

Table titled 'WORLD COMMODITIES PRICES' providing a comprehensive overview of international commodity prices.

WORLD STOCK MARKETS

US MARKETS (3pm)

Table listing US stock market data for December 15, 1989, including various indices and individual stock prices.

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INDICES

Table showing various stock indices including Dow Jones, Standard and Poor's, and NYSE Composite.

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NEW YORK ACTIVE STOCKS

Table listing active stocks in New York with columns for stock name, price, and volume.

TRADING ACTIVITY

Table showing trading activity for various markets and indices.

NEW YORK ACTIVE STOCKS

Table listing active stocks in New York with columns for stock name, price, and volume.

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CANADA

Table listing Canadian stock market data for December 15, 1989.

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Base value of all indices are 100 except NYSE All-Industry - 100, Standard and Poor's - 100, and Toronto Composite and S&P 500 - 1000. Toronto indices based 1975 and Montreal Toronto 4/72.

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WORLD STOCK MARKETS

AMERICA

Dow remains indifferent to economic data

Wall Street

TRADING REMAINED surprisingly sluggish on Wall Street yesterday morning in spite of a barrage of eagerly awaited economic indicators and the "triple witching hour" expiration of stock index futures and options, writes Anatole Kaletsky in New York.

The Dow Jones Industrial Index opened marginally higher, but moved lower almost immediately.

After the modest decline of 7.46 points on Thursday, there was little enthusiasm in either the bearish or bullish camps, however, and prices soon settled into a trading range about 10 points below the Dow's overnight close. By 1:30 pm, the Dow was 11.31 points down at 2,742.82.

Volume was moderate for a

triple witching day, with 150m shares traded by early afternoon. Declines outnumbered advances by a margin of around three to two.

The main influence on stock and bond prices was the batch of statistics released by government departments shortly before the markets opened.

Industrial production, which rose by 0.1 per cent, and capacity utilisation, which fell by 0.1 percentage point to 82.7 per cent, turned out to be closely in line with market expectations.

Producer prices, which fell by 0.1 per cent, were somewhat better than expected, but this was mainly due to an even sharper fall in energy costs than analysts had estimated.

Excluding the volatile energy and food components, the PPI rose 0.2 per cent, exactly in line with the consensus forecast. The big surprise came in the October trade figure, which showed a much wider than expected deficit of \$10.2bn, as well as a sharp upward revision in the September figure.

Taking all the indicators together, however, both bond and equity markets seemed surprisingly indifferent, partly perhaps because the dollar weakened only moderately in response to the trade figures, as some analysts had expected.

The Treasury's benchmark long bond traded throughout the morning within 1/2 point of its overnight level although there were signs of an eroding trend early in the afternoon.

By 1:30 pm, the bond was 3/8 down at 109 1/8, a price at which it yielded 7.86 per cent.

In spite of the fact that losses in the stock market were only moderate, most of the

heavy trading occurred in the declining stocks.

The technology blue chips continued to erode, with IBM down 3/4 to \$94 1/2, a new 52-year low. Some of the oil and resource stocks, in contrast, continued their upward trend, with Exxon gaining 3/4 to \$49 1/2 and Homestake Mining up 3/4 to \$20 1/2.

Regional banks were the worst hit sector, responding to a huge property write-down announced by Bank of New England. The bank plunged 3/4 to \$3 1/2, while Bank of Boston fell in sympathy by 1/2 to \$17 1/2.

Another big loser was Mack Trucks, which lost nearly one-third of its value, falling 3/4 to \$5 1/2. The company said its financial condition was declining and that it may have technically breached certain loan covenants.

Canada

THE RELEASE of the US figures kept early trading quiet in Toronto. The composite index rose 0.2 to 3,595.6 in volume of 15.4m shares. Advances led declines 235 to 230.

Gold shares recovered part of their losses but slipped 15.93 to 7,567.90. Lac Minerals gained 2 1/2 to C\$14 1/2 and American Barrick fell C\$4 to C\$19 1/2.

Compucon troubles continued. The stock fell 15 cents to C\$2.90 after two factoring agencies advised clients not to ship to Compucon stores.

Profit-taking depressed Connaught C\$4 to C\$36 1/2 after a bid of over C\$4 on Wednesday. Istiut Merieux saw a takeover battle with a bid of C\$37 and said it now controlled over 99 per cent of Connaught's shares.

Stockholm faces unsure future as good times end

Robert Taylor on the problems affecting the index

THE COUNTDOWN to Christmas has seen some active trading in the Stockholm stock market, mainly as a result of the Volvo-Procordia-Pharmacia deal.

The huge flotation of the country's second biggest insurance company, Trygg-Hansa, has also aroused the bourse's interest. There is the promise of a further wave of company mergers and acquisitions early next year, as a result of pension scheme pay-outs, more new money can be expected on the market in January.

Such short-term benefits for the Stockholm bourse could well disappear during the course of 1990. Many observers believe that the really good times are over, its golden period was in the mid-1980s, when the Veckans Affar index rose by 254 per cent in 1984, and 193 per cent in 1985 as Swedish industry boomed in the aftermath of devaluation and a prolonged expansion in international trade.

However, the 1980s are ending in uncertainty. This year's rise in the index could be much less than it was, at around 20 per cent. The retreat began in high summer, after August 16 when it reached its all-time high of 1,670.2 in lively trading; from then on it moved gently down through the autumn and while it has just enjoyed a good fortnight, it still closed at only 1,511.1 yesterday.

The decline in the market reflected growing evidence of a deterioration in the Swedish economy. Market opinion began to reflect rising inflation, now running at just under 7 per cent, low growth and a mounting current account deficit which is expected to equal 2.5 per cent of Sweden's GDP by 1991.

Indeed, during the first half of 1990, seasoned stock market observers were puzzled at the apparent lack of concern about what was happening to the Swedish economy. Mr David Longmair at Kleinwort Benson says: "It took a long time for most investors to wake up to the country's problems."

During the first quarter of the year most of the big profitable Swedish companies continued to report strong, posi-

tive financial results, which seemed to conflict with the pessimism of the macro-economic indicators. The fact is that the internationalisation of so many companies has made their performance immune to the troubles of the domestic economy. Mr Sten Westerberg, of the Scandinavian Enskilda Fund Commission, says: "The big Swedish companies are no longer Swedish."

The index only started to fall when a growing number of star performers - notably Electro-lux, Aga and Pharmacia - began to reveal worse than expected results for the first half of 1989. This autumn has

the early beneficiaries of this decision.

The abolition of foreign exchange controls last July added to the impetus and, by the autumn, the big institutional investors were increasingly turning their backs on Stockholm and looking abroad: initially to New York and London and recently to Frankfurt.

Mr Longmair thinks: "Many of our Swedish clients are saying they are no longer interested in Scandinavia - that the party is over." Indeed, the turnover of Sweden's 16 biggest listed blue chip companies is now as great in London as it is in Stockholm.

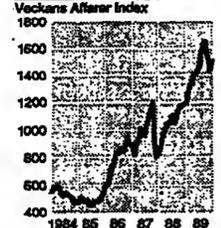
Total trading in Swedish shares outside the country this year is now estimated at around 60 per cent of Stockholm's annual turnover. The latest figures show that Swedish investors had bought SKR23.3bn (\$3.7bn) worth of foreign shares by the end of October.

Turnover on the Stockholm bourse has fallen by a quarter since its best year of 1986. Some blame for this decline is attached to the Government's 2 per cent turnover tax on trading in equities.

Over the past year the bourse and powerful industrialists have tried unsuccessfully to convince the Ministry of Finance that it should abolish the tax. There is a possibility that it will go in 1990, but many believe that the damage has already been done and its abolition will now do little to encourage stock market trading to return to Stockholm.

Some vital decisions will be taken in 1990. If the Government can start to reduce inflation, and cut back the current account deficit through tough fiscal policies, this will help to stiffen confidence.

The ruling Social Democrats will also have to abandon their present commitment to a non-nuclear energy policy and negotiate a favourable deal with the European Community, in order to convince investors that they can protect the vulnerable Swedish economy from worsening its international competitiveness. Of course, the blue chips have already joined the EC and they should go on doing well.



seen a particularly steep drop in forestry shares of 30 per cent, twice as large as the overall decline in the bourse index.

Most analysts believe that the market has been too pessimistic about pulp and paper. Although there are signs of a decline in world demand, large companies like Stora and SCA will still remain extremely profitable.

Big companies in general have performed considerably better than the average, reflecting the international nature of their sales, and profit margins. The market's top 16 blue chip companies had an aggregate share price rise of around 33 per cent this year.

Internationalisation applies to investment, too, as Swedish investors look abroad. The lifting of restrictions on buying foreign equities last January has brought a clear change in direction. Both the Oslo and Helsinki stock markets were

EUROPE

Bourses absorbed by foreign distractions

EVENTS elsewhere seemed to preoccupy continental bourses yesterday, as they looked at US economic, cross-frontier deals or the lack of them, and the distractions of Eastern Europe, writes Our Markets Staff.

PARIS had time to take the US trade data, and Wall Street's opening on board as the CAC 40 index shed another 2.52 to 831.88, 1.7 per cent lower on the week, and the CAC real time index dropped 5.20 to 1,949.42 for a 1.5 per cent decline on the week.

Initiative was further limited by fears of excessive volatility from New York's "triple witching hour" and domestic economic news. A comfortable-looking 0.6 per cent rise in France's inflation-adjusted GDP for the third quarter failed to stimulate interest in the market, along with a modest improvement in the domestic bond market.

Burtonmull led declines with a fall of FF4.50 to FF48 1/2

share. Analysis said, as they did in London yesterday, that there were no obvious reasons for the drop, but that this is a traditionally volatile stock.

FRANKFURT started in fine form as Thyssen lifted its dividend from DM7.50 to DM10 a share and rose accordingly. But it lost momentum immediately afterwards and the FAZ index, calculated at mid-session, fell 2.48 to 684.28 for a 1 per cent fall on the week.

The DAX index, struck at the official close, was 3.89 higher at 1,627.43; but this was down from an intra-day high of 1,632.36, down 1.4 per cent on the week, and the precursor to a decline after hours as dealers took in the US trade figures, the weakening dollar and Wall Street's opening drift.

Thyssen closed DM5 lower at DM266.50, dragging down other stocks at the heavy end of the economy like Hoechst, the steel-maker, DM4 lower at DM285, and MAN, the engineering

group, off DM3 at DM415.50.

But there were rises for other blue chips like Siemens, Deutsche and Dresdner banks, carmakers like Volkswagen and Daimler, and characteristically minor gains in the chemicals sector.

MILAN had a nervous approach to the weekend. News that Saab had been suspended in Stockholm boosted Fiat, and the market in general wanted to rise. Profit-taking came in to trim the opening gains, however, and the Comit index closed just 4.84 higher at 680.40 for a 1.7 per cent rise on the week.

Fiat said a little after hours for a 1.120 net gain at L11,160, but this was before Saab announced that talks with Fiat had been called off, and a deal with General Motors of the US had been concluded instead. Elsewhere, Ferruzzi group shares were in the spotlight with Montedison L87 higher at L2,065 and Enimont, at L1,665,

showing a L260 gain in less than four weeks.

BRUSSELS fell across the board in light trading. High interest rates and the weak dollar kept the market flat. The index closed at 2,125.19 for a 2.3 per cent drop on the week.

The index has lost 6 per cent from its record high of 6,305.28 posted last September 26, and one observer said yesterday that many investors had switched their attention to the German market amid the upheavals in East Germany.

AMSTERDAM suffered from the sensitivity of some of its globally traded multinationals to swings in the US dollar, and the CBS tendency index closed 1.1 lower at 282.5 in dull trading, down 2.7 per cent on the week.

Royal Dutch was the most active stock, closing F11.70 lower at F145.80 on a combination of profit-taking, dollar worries and selling pressure

linked to trading on the European Options Exchange. However, the chemical group Alko advanced against the trend on demand from a substantial overseas buyer, rising 80 cents to F124.20.

ZURICH stayed worried about high short-term interest rates, and while the Credit Suisse index inched up 0.6 to 614.9 on the day, it was 1.9 per cent down on the week.

A statement by the Swiss National Bank that short-term rates are likely to remain high served to reinforce the sour mood in the stock market.

OSLO closed lower after a spate of profit-taking. The all-share index fell 3.46 to 518.19 in trading worth NKR382.5m.

The industry index, which includes oil stocks, dropped 5.76 to 672.68 and the shipping index fell 3.79 to 791.10.

MADRID was flat with the general index at 308.25, up 0.11 on the day and down 0.4 per cent on the week.

SOUTH AFRICA

A RECOVERY in the bullion price helped gold shares to close firmer in cautious trading in Johannesburg.

The JSE all-gold index closed at a preliminary 2,919, up 98. The overall index rose 23 to 8,106.

ASIA PACIFIC

Third successive peak for Nikkei

Tokyo

IN SPITE of a cautious beginning and weakness for most of yesterday, late arbitrage trading and strong interest in special situations eventually led the Nikkei to a third successive peak, writes Michio Nakamoto in Tokyo.

After a sluggish start, the Nikkei average closed 90.34 higher at 88,271.04, against a high of 88,272.78 and a low of 88,083.11. This gave it a 1.5 per cent rise over the week. Advances led declines by 473 to 443, with 216 issues unchanged.

However, the Nikkei average had actually been down 94 points just five minutes before the end of trading. Investors were generally inclined to take a cautious stance before the weekend, and the pending announcement of key US economic data. Arbitrage trading came to the rescue, giving the Nikkei a boost in the late morning, and just before the afternoon close.

Turnover, at 844m shares, was only moderately higher than Thursday's 833m. The Tokyo index of all listed stocks rose a meagre 2.66 to 2,874.56. In London, the ISE/Nikkei 50 index rose 0.13 to 2,166.98.

All eyes were on Dow Mining again yesterday. The company saw a wave of interest on Thursday after news that a very high-yield vein of gold was discovered near a mine which Dow has bought. Rumours that the buying continued yesterday.

PHILIPPINE stocks have fallen 315.05 points, or almost 24 per cent, in the week since the twin earthquakes of Manila and Cebu, writes Gray Hutchinson in Manila.

Brokers expect further falls interspersed with bouts of partial recovery while rumours fly of another coup attempt. One banker said money had been flowing into the stock market. "It is short-term investments, but it's helping hold the market up," she said.

The Manila composite index closed yesterday at 1,002.61, down 58.78. Earlier it had fallen through the psychological 1,000-point barrier to reach a low of 963.68, but recovered slightly on rumours that Mr Gregorio Honasan, the army rebel, had been captured.

Military spokesmen denied the rumour about Mr Honasan but confirmed they had intelligence reports that another military rebellion, this time centred on the southern island of Mindanao, might be in the offing.

Nippon Steel is planning a financing soon drummed up activity in the issue.

Tokyo Corp. the railway group, was second in volume closed with 11m market buy orders left unfulfilled, and the maximum permitted gain of ¥200 at ¥1,630.

Mitsui Metal Mining also firmed, rising ¥25 to ¥1,010 during the day before closing up ¥5 at ¥980. Itoh Zinc, however, fell ¥30 to ¥1,080 in profit-taking. The companies' resumption of dividend payments next March has triggered rumours that they are planning to raise capital on the market and speculators are buying in anticipation of market support.

Steels were mixed. Nippon Steel was ¥16 higher at ¥829 but Sumitomo Metal Industries, which topped the volumes list with 19.9m shares, was down ¥2.50 to ¥1,080. Iwata Zinc, which topped the volume list, was down ¥3 to ¥908. Rumours that

HK\$1.2bn, but slightly below Thursday's HK\$1.28bn.

Although some blue chips consolidated, heavily weighted Hongkong Telecom gained 10 cents to HK\$45.15, helping to support the index. Citic Bank added 10 cents to HK\$2.325 after Thursday's late news that Evergo was bidding HK\$2bn, or HK\$2.50 a share, for the 42 per cent it does not already own.

SINGAPORE ended mixed, with the Straits Times industrial index up 0.59 at a post-crash high of 1,498.56, a rise of 1.7 per cent this week.

Rumours that DBS Land, which was suspended, had bought the Standard Chartered Building at a price below expectations put pressure on property stocks. Turnover fell to 7m shares from Thursday's 11m.

AUSTRALIA picked up a little ground after two motionless days, the All Ordinaries index rising 3.6 to 1,619.1, but ending the week 0.4 per cent lower. Volume rose and fell at 84m shares worth A\$158m.

NEW ZEALAND rebounded from its recent falls, with the Barclays index up 41.32 at 1,961.81, but down 2.9 per cent on the week.

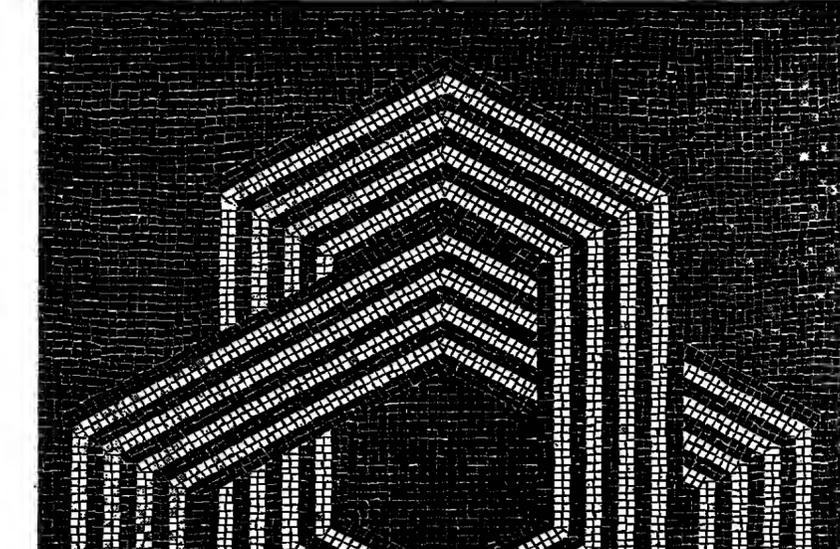
SEOUL did the reverse, falling 10.06 on the composite index to 918.04 after several sharp gains. It has risen 6 per cent this week.

TAIWAN rallied from Thursday's losses and the weighted index gained 140.50 to 8,568.46, up 0.5 per cent on the week.

Roundup

IT WAS a day for reversing trends in the Asia Pacific region, except in Hong Kong, which kept rallying.

HONG KONG sustained the momentum of the previous three days to close with a gain of 19.82 on the Hang Seng index at 2,896.57, a rise this week of 5.2 per cent. Volume remained buoyant at



PIECING TOGETHER THE COMPLEX MOSAIC OF SUCCESSFUL PROJECT FINANCE

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY DECEMBER 14 1989				WEDNESDAY DECEMBER 13 1989				DOLLAR INDEX				
	Figures in parentheses show number of stocks per grouping	US Dow Jones Index	Day's Change %	Point	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Found Sterling Index	Local Currency Index	1988 High	1989 Low	Year ago (approx)
Australia (80)	148.64	+0.0	136.13	124.21	+0.1	5.47	146.63	138.29	124.05	160.41	128.28	143.06	
Austria (19)	167.04	-0.8	155.07	150.70	-0.1	1.61	188.09	188.24	150.83	172.22	92.94	87.44	
Belgium (63)	149.19	-0.8	139.50	134.48	-0.4	4.18	150.39	139.79	135.00	150.39	126.88	133.82	
Canada (123)	162.24	-0.5	141.28	128.15	-0.3	3.19	163.17	142.59	128.52	154.17	124.67	120.88	
Denmark (26)	234.46	-0.2	217.66	214.85	+0.2	1.47	235.02	218.46	214.41	237.08	165.35	154.38	
Finland (26)	130.74	-0.4	121.57	112.55	-0.2	2.51	131.27	122.01	112.81	139.19	118.63	133.10	
France (126)	149.21	-0.1	138.52	139.03	-0.2	2.08	149.33	138.81	139.32	150.80	112.57	106.56	
FRG (144)	111.44	+0.9	108.45	102.63	+0.2	2.07	111.43	102.89	102.80	112.57	79.58	83.34	
West Germany (96)	120.41	+0.5	111.78	120.64	+0.6	4.73	119.53	111.20	119.87	140.33	86.41	103.90	
Ireland (17)	173.42	+1.8	166.57	168.16	+1.8	2.82	173.55	164.11	163.56	179.42	126.00	132.20	
Italy (87)	94.73	+1.8	87.95	81.84	+1.9	2.50	93.10	85.54	85.87	98.73	74.97	83.34	
Japan (455)	195.98	-0.1	182.54	179.34	-0.2	0.46	197.22	183.32	179.84	200.11	164.22	188.87	
Japan (35)	219.85	+0.8	204.10	228.49	+0.5	2.32	218.55	203.16	227.32	219.85	143.35	141.88	
Mexico (13)	302.41	+1.0	280.75	283.48	+1.0	0.59	298.45	278.35	674.47	328.61	153.32	169.34	
Netherlands (43)	138.71	-0.5	128.78	124.16	-0.7	4.29	139.47	129.84	125.08	138.47	110.63	110.20	
Norway (24)	83.99	+2.4	84.97	82.34	+2.1	5.73	71.74	68.68	63.89	88.16	62.94	64.32	
New Zealand (10)	193.54	+0.8	179.68	175.75	+1.1	1.58	192.07	178.54	173.82	198.36	139.92	133.44	
Singapore (26)	178.24	+0.4	163.81	158.29	+0.7	1.93	176.53	153.16	154.25	170.24	124.57	119.88	
South Africa (50)	185.12	-1.0	171.88	169.00	-1.0	3.28	187.02	173.84	160.84	188.04	115.95	120.42	
Spain (41)	182.17	-0.3	150.55	148.00	+0.0	3.81	163.75	161.19	138.07	163.75	143.14	148.86	
Sweden (35)	182.75	-0.6	168.64	166.75	-0.1	4.88	183.05	170.71	169.82	188.94	138.46	148.46	
Switzerland (62)	91.29	+0.5	85.03	88.78	-0.2	2.01	91.14	84.71	88.99	94.18	67.81	77.12	
United Kingdom (303)	153.77	-0.8	142.76	142.75	-0.7	4.35	154.85	143.75	143.75	158.41	133.28	134.04	
USA (844)	142.16	-0.5	131.98	142.16	-0.5	3.28	142.85	132.78	142.25	148.29	112.13	111.75	
Europe (690)	136.09	-0.2	126.34	124.95	-0.3	3.37	138.32	128.72	125.28	136.56	112.63	112.75	
Nordic (121)	180.12	-0.3	167.21	159.36	+0.1	1.79	180.50	167.57	159.15	180.60	137.95	133.58	
Pacific Basin (688)	178.24	-0.1	170.23	174.80	+0.1	1.99	182.28	178.73	175.08	184.72	150.44	183.53	
Pacific Basin (165)	167.78	-0.1	157.81	154.86	-0.2	1.56	170.01	158.03	155.15	170.01	141.98	155.19	
North America (685)	142.85	-0.6	132.44	141.28	-0.5	3.28	143.36	133.25	141.95	146.06	112.79	112.18	
Europe Ex. UK (887)	124.17	+0.1	116.27	114.13	+0.0	2.71	124.05	115.30	114.10	124.69	96.90	98.28	
Pacific Ex. Japan (219)	182.75	-0.2	172.55	178.75	+0.2	4.88	183.05	172.68	118.54	140.05	111.83	122.24	
World Ex. US (163)	188.40	-0.2	157.26	154.23	-0.2	1.83	189.57	157.71	154.54	188.67	141.49	153.63	
World Ex. UK (204)	159.09	-0.2	147.70	150.87	-0.2	1.94	159.48	148.22	151.25	159.48	138.98	137.90	
World Ex. So. Am. (237)	188.44	-0.3	147.08	150.02	-0.3	2.14	188.84	148.64	150.45	188.84	138.67	137.85	
World Ex. Japan (194)	140.40	-0.3	130.34	135.00	-0.4	3.58	140.89	130.97	136.50	149.89	114.51	112.53	
The World Index (2387)	158.60	-0.3	147.23	150.09	-0.3	2.15	159.01	147.80	150.51	159.01	135.60	137.54	

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LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tailorist system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

§ Bargains at special prices, ¶ Bargains done the previous day.

Corporation and County Stocks

No. of bargains included 4
Greater London Council 5% 89/92 - 427/8
Birmingham Corp 5% 19/7 (after) - 120 (12/89)

UK Public Bonds

No. of bargains included 2
Agricultural Mortgage Corp 6 1/2% Deb 82/84 - 225 (12/89)
6% Deb 85/86 - 234 (12/89)

Foreign Stocks, Bonds, etc.

Asiatic Petroleum 10 1/2% Deb 2002 - 221 1/2 (12/89)
Associated Newspapers Holdings 10 1/2% Deb 2002 - 221 1/2 (12/89)
British Airways 10 1/2% Deb 1988 - 229 1/2 (12/89)

Registered Housing Associations

No. of bargains included 1
Housing Association 10 1/2% Deb 2002 - 221 1/2 (12/89)

Commercial, Industrial, etc

No. of bargains included 1
Associated British Foods PLC 5% 1989 - 221 1/2 (12/89)

Bank and Discount Companies

No. of bargains included 4
Australia & New Zealand Banking Group 10 1/2% Deb 2002 - 221 1/2 (12/89)

Breries and Distillers

No. of bargains included 1
Allied-Lyons PLCADR (11) - 83.3 (12/89)

Financial Trusts, Land, etc

No. of bargains included 21
Amorim Trust PLCADR (10) - 155 (12/89)

Mines - South African

No. of bargains included 11
Barnato Investment Ltd 10 1/2% Deb 2002 - 221 1/2 (12/89)

Mines - Miscellaneous

No. of bargains included 17
Anagnorite Financial Inv PLCADR (10) - 155 (12/89)

Unit Trusts

No. of bargains included 16
M.S.G. European Dividend Fund - 62.2 (12/89)

Water Works

No. of bargains included 2
Bournemouth & District Water Co 10 1/2% Deb 2002 - 221 1/2 (12/89)

Shipping

No. of bargains included 203
Bergesen & Sons AS 5% 89/92 - 427/8 (12/89)

Utilities

No. of bargains included 1710
CEC Ltd 7 1/2% Deb 2002 - 221 1/2 (12/89)

Rule 53(2)

No. of bargains included 11
Asteri Corp PLCADR (10) - 155 (12/89)

Water Works

No. of bargains included 2
Bournemouth & District Water Co 10 1/2% Deb 2002 - 221 1/2 (12/89)

Shipping

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No. of bargains included 2
Bournemouth & District Water Co 10 1/2% Deb 2002 - 221 1/2 (12/89)

Shipping

No. of bargains included 203
Bergesen & Sons AS 5% 89/92 - 427/8 (12/89)

Utilities

No. of bargains included 1710
CEC Ltd 7 1/2% Deb 2002 - 221 1/2 (12/89)

Rule 53(2)

No. of bargains included 11
Asteri Corp PLCADR (10) - 155 (12/89)

Water Works

No. of bargains included 2
Bournemouth & District Water Co 10 1/2% Deb 2002 - 221 1/2 (12/89)

The Third Market Appendix

No. of bargains included 69
Automotive of Devon PLCADR (10) - 155 (12/89)

Rule 53(2)

No. of bargains included 11
Asteri Corp PLCADR (10) - 155 (12/89)

Water Works

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FINANCIAL TIMES

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AUTHORISED UNIT TRUSTS

Admiral Unit Trust Managers Ltd

Table listing various unit trusts under Admiral Unit Trust Managers Ltd, including names like Admiral Growth, Admiral Income, and Admiral Property, with columns for unit price and other details.

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GUIDE TO UNIT TRUST PRICING. This section provides detailed information on how unit trust prices are calculated, including the inclusion of management fees, commission, and other charges. It also explains the difference between bid and offer prices and the impact of currency fluctuations.

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Main table containing unit trust information with columns for Unit Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Main table containing unit trust information with columns for Name, Price, and other details. Includes sections for Offshore and Overseas, Jersey, and Luxembourg.

OFFSHORE AND OVERSEAS

GUERNSEY (SB RECOGNISED)

MANAGEMENT SERVICES

ION (SB RECOGNISED)

LUXEMBOURG (SB RECOGNISED)

JERSEY (SB RECOGNISED)

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, and Yield.

LONDON SHARE SERVICE

Table of London Share Service, including sections for British Funds, Loans, Foreign Bonds & Rails, Americans, and Money Market Bank Accounts.

LONDON SHARE SERVICE

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AMERICANS - Contd

Table listing American companies such as American Express, American International Group, and American Overseas, with columns for share price and percentage change.

BUILDING, TIMBER, ROADS - Contd

Table listing companies in the building, timber, and roads sectors, including Bovis Lend Lease and Bovis Lend Lease Group.

DRAPERY AND STORES - Contd

Table listing companies in the drapery and stores sector, including Debenhams and Debenhams Group.

ENGINEERING - Contd

Table listing companies in the engineering sector, including Balfour Beatty and Balfour Beatty Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

CANADIANS

Table listing Canadian companies such as Canadian National Railway and Canadian National Railway Group.

AMERICANS - Contd

Table listing American companies such as American Express and American International Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

BANKS, HP & LEASING

Table listing banks and hire purchase/leasing companies, including Bank of America and Bank of America Group.

AMERICANS - Contd

Table listing American companies such as American Express and American International Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

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Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

BEERS, WINES & SPIRITS

Table listing companies in the beer, wine, and spirits sector, including Carlsberg and Carlsberg Group.

AMERICANS - Contd

Table listing American companies such as American Express and American International Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sector, including Bovis Lend Lease and Bovis Lend Lease Group.

AMERICANS - Contd

Table listing American companies such as American Express and American International Group.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies, including British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

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LONDON SHARE SERVICE

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LEISURE

Table of share prices for Leisure companies including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of share prices for Paper, Printing, Advertising companies including Newsprint, Newsprint, etc.

PROPERTY

Table of share prices for Property companies including Property, Property, etc.

TRANSPORT

Table of share prices for Transport companies including Transport, Transport, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, Land companies including Finance, Finance, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas companies including Oil, Oil, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors, Aircraft Trades companies including Motors, Motors, etc.

COMMERCIAL VEHICLES

Table of share prices for Commercial Vehicles companies including Commercial, Commercial, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, Land companies including Finance, Finance, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders companies including Overseas, Overseas, etc.

PLANTATIONS

Table of share prices for Plantations companies including Plantations, Plantations, etc.

THIRD MARKET

Table of share prices for Third Market companies including Third, Third, etc.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers, Publishers companies including Newspapers, Newspapers, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather companies including Shoes, Shoes, etc.

SOUTH AFRICANS

Table of share prices for South Africans companies including South, South, etc.

FINANCE, LAND, ETC

Table of share prices for Finance, Land, Etc companies including Finance, Finance, etc.

DIAMOND AND PLATINUM

Table of share prices for Diamond and Platinum companies including Diamond, Diamond, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional & Irish Stocks companies including Regional, Regional, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, Advertising companies including Paper, Paper, etc.

TEXTILES

Table of share prices for Textiles companies including Textiles, Textiles, etc.

TOBACCOS

Table of share prices for Tobaccos companies including Tobaccos, Tobaccos, etc.

OIL AND GAS

Table of share prices for Oil and Gas companies including Oil, Oil, etc.

FINANCE

Table of share prices for Finance companies including Finance, Finance, etc.

TRADITIONAL OPTIONS

Table of share prices for Traditional Options companies including Traditional, Traditional, etc.

PROPERTY

Table of share prices for Property companies including Property, Property, etc.

TRANSPORT

Table of share prices for Transport companies including Transport, Transport, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, Land companies including Finance, Finance, etc.

OIL AND GAS

Table of share prices for Oil and Gas companies including Oil, Oil, etc.

FINANCE

Table of share prices for Finance companies including Finance, Finance, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional & Irish Stocks companies including Regional, Regional, etc.

NOTES: Stock Exchange dealing classifications are indicated to the right of security names. Alpha, Beta, Gamma, Delta, Epsilon, Zeta, Eta, Theta, Iota, Kappa, Lambda, Mu, Nu, Xi, Omicron, Pi, Rho, Sigma, Tau, Upsilon, Phi, Chi, Psi, Omega. Dividends are in pence and denominated as 25p. Estimated performance ratios and ratios are based on latest annual results. P/E ratios are calculated on a 'trailing' basis. Dividends are based on the most recent dividend. Dividends are based on the most recent dividend. Dividends are based on the most recent dividend.

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FINANCIAL TIMES

Weekend December 16/December 17 1989

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Nato agrees open sky proposal

By Robert Mautner, Diplomatic Correspondent, in Brussels

NATO FOREIGN MINISTERS yesterday agreed on a proposal for frequent aerial surveillance by Nato and Warsaw Pact countries of each other's territory.

The Atlantic Alliance proposal is based on one put forward by US President George Bush in May - itself an expansion of a concept first mooted in the 1950s by the late President Dwight Eisenhower. The proposal will be the centrepiece of the Western position at the joint Nato and Warsaw Pact Foreign Ministers' "open skies" conference, due to take place in Ottawa, Canada, in February.

Aerial overflights will facilitate the observation of military activities and will complement the provisions of the Stockholm agreement concluded by the 35 members of the Conference on Security and Co-operation in Europe (CSCE) in 1986. It is also seen as a highly effective element of arms control verification regimes, such as those which will have to be devised for the prospective agreements on conventional, strategic and chemical weapons.

The willingness of a country to allow its territory to be overflown, would demonstrate its non-aggressive intentions and desire to create an atmosphere of mutual confidence.

Under the Nato proposal, participation in the open skies agreement would be open to all members of the Atlantic Alliance and the Warsaw Pact.

All territories of the participants in North America and Asia, as well as in Europe, would be included. National quotas, based on the size of participating countries, would limit the number of flights. Larger countries would permit several flights a month over their territory. All participating countries would be entitled to participate in such observation activities, either individually or jointly in co-operation with their allies.

There would be rough correspondence between Nato and Warsaw Pact quota totals, and within those totals, for the Soviet Union and North American members of Nato - the US and Canada.

The countries conducting observation flights would use unarmed, fixed-wing civilian or military aircraft.

Nato pledges Moscow to cut military spending, Page 2

Soviet Union mourns for Sakharov

By Quentin Peel in Moscow

THE SOVIET UNION was yesterday in mourning for Dr Andrei Sakharov, the father figure of the Soviet human rights movement, after his sudden death at home in Moscow.

Just three years after he returned from exile in Gorky, the entire Soviet Congress of People's Deputies stood for a minute of silence to mark the death of the man who abandoned the privileges of a brilliant scientific career to fight for political freedom for Soviet dissidents.

Mr Mikhail Gorbachev, the Soviet leader, called his death "a very great loss" for Soviet society.

Only days before he had sharply attacked Dr Sakharov and fellow radicals for calling a token strike to demand an end to the monopoly on power of the Communist Party. Yesterday, Mr Gorbachev paid tribute to his special role in the perestroika process in the country.

As tributes flooded in from around the world, the Soviet authorities appointed a funeral commission headed by a member of the Politburo, Mr Yevgeny Primakov, and the president of the Academy of Sciences, Dr Gury Marchuk, to arrange a lying in state and a funeral cortege.

The funeral on Monday is expected to pass the Luzhniki stadium, scene of many mass rallies over the past nine months, where thousands of Moscowites will be able to gather to pay tribute.

Mr George Bush, the US President, praised the former nuclear physicist's "courage and devotion to freedom."

Mr Bush, in a message to Mrs Yelena Bonner, Dr Sakharov's widow, said: "During the darkest hours of his struggle for human rights in the Soviet Union he embodied all that is good and decent in the human spirit."

The head of the Nobel Committee in Oslo, which awarded Dr Sakharov the Nobel Peace Prize in 1975, said: "As a freedom fighter for human rights, he prepared the situation for Gorbachev's glasnost. Sakharov's campaign was the beginning of glasnost."

Dr Sakharov died at his tiny two-room flat on the central ring road in Moscow. He had spent an exhausting day at the Congress, culminating in a stormy meeting of the radical Inter-Regional Group of deputies, of which he was a joint leader. Close associates said he was resting before beginning work on a speech about the state of the Soviet economy.

At the Congress, deputies showed their shock and distress at his sudden death, at the age of 68, believed to have been from a heart attack.

Mr Boris Yeltsin, the Communist Party dissident leader, called for a national day of mourning to mark his death.

Professor Oleg Bogomolov, a leading economist, said it was "a very sad event for all progressive forces in the Soviet Union. It is the worst moment to lose Academician Sakharov. We need him."

Even political opponents paid tribute to him. Mr Yegor Ligachev, the Politburo member whom Dr Sakharov regarded as the greatest threat to political reform, said he had been a very democratic man.

He added: "He did a lot for his fatherland. We adhered to different views and positions but that is only natural."

Mr Vitaly Korotich, editor of the radical weekly magazine Ogonyok, said he was "a martyr of perestroika. It is time to tell people he was somebody who died for us many times."

He said that Dr Sakharov had been very tired for years. "They killed him in many ways. They sent hooligans. They sent him to Gorky."

"From one point of view, he was finished by the system but from another point of view, he finished the system. The system of administrative socialism received a decisive blow from Sakharov."

Freedom's champion, Page 6



The Soviet Congress of People's Deputies stands in silence to honour the memory of Dr Sakharov

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Freedom's champion, Page 6

Warning tremors from UK plc

The market has been asking itself for some time how it would react to the bad news on corporate earnings. It is now getting the chance to find out. So far, the damage is still minor and localised; it is not clear that it will stay that way. After Thursday's run of bad results, a further 21 companies reported yesterday. Eleven had lower profits, three were in loss and five cut or passed the dividend. Nor was the bad news wholly in the price: the five dividend-cutters suffered an average price fall of 6 per cent.

That need not mean that earnings for the market as a whole are set to fall. Salomon, for instance, is expecting an 8 per cent drop next year in UK operating profits, which it reckons accounts for 53 per cent of the UK corporate sector total. But given the weakness of sterling, translated overseas earnings could be up by 10 per cent and export profits by as much as 20 per cent. That would give a total rise in operating profit of 1 per cent.

But there seems little doubt that small UK-dependent companies are in for a hammering. The point is illustrated by comparing the FT-SE Index - which contains the top 70-odd per cent of the market by size - with the All-Share, which contains big and small alike. Over the five years to late 1988, the big companies underperformed the total by 10 per cent. They have made up nearly half the ground since. Even among the big companies, the onset of hard times is bringing out startling discrepancies. Renters has outperformed the All-Share by 58 per cent since the start of this year, against an 80 per cent underperformance by poor old Amstrad.

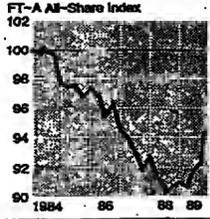
Asda

In spite of the warning of how dreadful Asda's interim was going to be, the shares still dropped another 3 per cent on the day. The market's belief in Asda's management is badly shaken. The company's defence is that three things have combined to knock it off course: the downturn in consumer spending, the delayed acquisition of the Gateway stores and the botched start with the new distribution system. But even supposing the problems are all surmountable within the next couple of years, it might be asked how well management morale will survive the experience. It is becoming ever more apparent that the Gateway deal could make or break the

FT Index fell 18.7 to 1,851.7

FT-SE 100 Index

Index relative to the FT-A All-Share Index



company. Sales per square foot in the stores are only two thirds of Asda's own. Theoretically, this leaves scope for a 50 per cent sales increase in the first half and non-food volume down by close to 10 per cent. Growth next year could be hard to come by.

Meanwhile, a 10 per cent fall in MFI's like-for-like volume in the same period has produced a 55 per cent drop in its operating profits and an 83.8m loss after interest charges. At 108p, Asda's shares are on something over 10 times earnings. There seems little reason for them to go much higher. Certainly, the market has all but abandoned hopes of a bid.

Hestair

Since the news of BET's counter-bid for Hestair came after the market close, the reaction may have been slightly unreliable. But it was quite unambiguous: a jump in Hestair's price to 6p above the offer and a near 10 per cent plunge in the price of BET.

The first part is easily understandable. Even at 32p, Hestair seems to be agreeing to a price of under 13 times earnings. A matter of weeks ago, Hestair sold the least promising of its consumer businesses - educational stationery - on a multiple of 10. The toy and huggy businesses, which are to be sold anyway, might fetch between 12 and 14 times. That leaves the recruitment business proper; in the US, such companies sell on a market multiple of 15 or more. If

Asda's original 282p offer was a sighting shot, 325p does not look like a knock-out blow.

The drop in BET's price can be put down to market disappointment that the company is not, after all, settling for a period of organic growth, but is instead back on the acquisition trail in yet another new area of activity. This may be exaggerated; earnings dilution at this price would be less than 1 per cent. On the other hand, the market may be right to suspect that the company will not rest until it has built up a world position in recruitment to match its other businesses. Although this deal would probably not be subject to the threatened changes on goodwill accounting, under the new rules it would knock around 27.5m of reported profits.

VG Instruments

It is easy to see why the stock market convinced itself so swiftly yesterday that Fisons is about to pay something over £270m for VG Instruments and why Fisons shares promptly dropped 20p. If Fisons is the party talking to VG, rather than, say, Hewlett-Packard, the idea is scarcely outrageous. Fisons would enlarge its existing scientific equipment business by about one-third; but presumably it would hope to nudge its own 6 per cent return on sales up towards the 20 per cent which VG manages, with its strong market positions. The near-term downside is equally clear, however.

Assuming Fisons paid £300m, making this a bigger buy than Penwalt last year, VG's exit multiple would be about 23 times earnings. Given that Fisons trades on a P/E of about 24, the risk of some dilution is obvious; there are worries arguing that, even assuming Fisons has end-year shareholders' funds of around £620m, it might have to raise fresh capital.

But Fisons would look a much more sensible owner for VG than BAT. The conundrum is why BAT lunged on so long to a business with which it had no affinity. BAT picked up VG in 1984 as part of Eagle Star; but by mid-1988, BAT had sold off the remainder of Grove-wood Securities, the Eagle Star-owned mini-conglomerate of which VG formed a part. Coincidentally, mid-1986 was the time when VG's popularity in the City was at its greatest. VG could have fetched a price then much the same as the 26 per share the market thinks it will go for now.

Anglian will try to flush out share buyers

By Andrew Hill

ANGLIAN WATER, the newly privatised company in which there was heavy dealing yesterday on the stock market, is to use the Companies Act to try to identify new owners of its shares.

The volume of trading in partly-paid Anglian shares was nearly three times greater than in any of the other nine privatised water companies which were floated on Tuesday.

The price rose 7p to 163p - the largest increase of any water company stock - and caused brokers to suspect stake building.

Analysts were unable to say who was behind yesterday's heavy buying and selling of Anglian stock, but the group

has issued a series of notices under section 212 of the Companies Act, which require brokers to identify the ultimate owner of shares in nominee accounts.

Anglian ended the week at the highest premium to the partly-paid offer price of 100p, followed by the smallest of the 10 water companies, Northumbrian.

Its shares enjoyed huge attention when dealings began on Tuesday and ended their first four days on the market at 158p, up just 1p on the day.

Anglian, which also saw heavy trading in its shares on Tuesday, said it had no idea who was buying yesterday and was not prepared to confirm

what action it was taking to track down the shareholders.

"At the moment we're pleased people want to buy our shares," said one Anglian adviser yesterday.

Speculation still centres on the possible involvement of the three French water suppliers which already own 12 of the UK's 29 smaller statutory water companies.

One of the trio, Lyonnaise des Eaux, again refused to comment on persistent rumours that it had been buying in the market.

The Government has kept a golden share in all the newly privatised water companies. This will protect them from any takeover attempt for

five years, unless it is waived.

The names of investors who have bought shares this week or through the over-subscribed offer-for-sale are unlikely to appear on the water companies' shareholder registers until the second week of January at the earliest.

Most small investors have had to stand by and watch the frantic dealing in water shares in the last four days.

Small shareholders who are not established clients of stockbrokers have to wait until they receive their share certificates, which will be posted next week, before they can deal.

Anglian Water in demand, Page 15; Those who wait could profit most, Weekend III

Deputy governor sets 3-year target

By Peter Norman, Economics Correspondent

BRITAIN needs to maintain three years of annual inflation of between 2 per cent and 3 per cent to demonstrate that it can run the economy sensibly, Mr Eddie George, deputy governor designate of the Bank of England, said yesterday.

In an interview with the Financial Times, Mr George, whose appointment was announced on Thursday, said that the country needed a solid period of low inflation that produced sustainable growth. He estimated that this would require three consecutive years in which output rose at a faster rate than inflation.

Echoing remarks made earlier in the week by Mr Robin Leigh-Pemberton, the Bank Governor, Mr George said that he wanted the Bank to be given a clearly defined statutory obligation to combat inflation.

Such "an absolute underlying assumption" would ensure that the balance of risks in conducting monetary policy fell on the side of price stability.

Mr George was cool towards recent proposals from Mr Karl Otto Pöhl, the Bundesbank president, that European central banks should adopt compatible monetary targets as part of an effort towards greater monetary policy co-ordination.

Although Mr Pöhl said in Frankfurt on Thursday that European central bankers had agreed to try to co-ordinate and harmonise their policies further, with the aim of gaining a higher degree of price stability, Mr George said he did not expect the bank to be given a clearly defined statutory obligation to combat inflation.

In a European monetary context there was, he said, "no question that the next major step would be Britain joining the exchange rate mechanism" of the European Monetary System. Although it would be unwise to take the step until the economy was in better balance he said that the Government had made a "very clear political commitment" to ERM entry. It was, moreover, "a national commitment" because it was accepted by Government and opposition.

Mr Karl Otto Pöhl yesterday said that he would "very much welcome and appreciate" greater independence for the Bank of England. He told Channel Four News that it would help Britain reduce its inflation rate.

Interview, Page 4; Editorial Comment, Page 6

S Africa frees five

Continued from Page 1

apartheid opposition, which lacks charismatic personalities who are powerful public speakers. Mr Lekota, who was publicity secretary of the UDF before his arrest, is both

Mr Lekota was sentenced to 12 years imprisonment, and Mr Molefe to 10 years after the country's most important political trial since the so-called Rivonia trial of 1962-64, which

led to a life sentence for Mr Mandela, the leader of the African National Congress (ANC).

Jailed with them were Mr Moss Chikane, another UDF activist, and Mr Thomas Mantata and Mr Gcina Malindi, officials of the South African Council of Churches.

The appeal concerned the trial judge's controversial decision to seek one of the court's

two special assessors - legal experts who advise him - after learning that he had signed a UDF petition. The assessor subsequently accused the judge of political bias.

Because the five were released on a technicality, they could be arrested and re-tried. This seemed unlikely given the Government's efforts to improve the political climate.

GM and Saab

Continued from Page 1

GM hopes that it will be able to use the prestige Swedish marque to improve its unsatisfactory penetration of the upper segment of the European executive and luxury-car market, where the performance of its top of the range Opel/Vauxhall Senator has been disappointing.

At the same time, it will gain access to additional capacity with Saab's three assembly plants in Sweden and Finland, which have been severely under-used as production has

fallen this year, with sales dropping chiefly in the crucial US market.

Saab-Scania shares were suspended on the Stockholm stock exchange pending the announcement.

Saab's car division has plunged into the red this year with a loss of SKr1.5bn in the first eight months, and an estimated SKr1.5bn loss for the full year.

Mr Smith said he hoped the joint venture to be in profit in 1991.

Saab-Scania was forced to launch a search for a partner for its car operations to ensure its survival in the 1990s.

Mr Karnsund said that "soaring costs for research and development and ever-increasing international competition make it difficult for small volume car makers to survive on their own in a longer perspective."

Mr Karnsund said that Saab Automobile would launch three new car ranges in the 1990s.

CHIEF PRICE CHANGES YESTERDAY

Table with columns for location (FRANKFURT, NEW YORK, LONDON), item, and price change. Includes items like DWL, Porsche, Fiat, BMW, etc.

NEW YORK PRICES AT 12.30

Table with columns for item and price. Includes items like Exxon, Homestake, Shell, etc.

WORLDWIDE WEATHER

Table with columns for location, weather, and temperature. Includes locations like Accra, Algiers, Amsterdam, etc.

BANGKOK 28°C 82°F Sunny. Fly Thai 01-499 9113

POSSIBLY EVEN BETTER PERHAPS SOME TIME. The tax advantages of a PEP should make it the first choice for any investor. So, why have you been missing out? Possibly, you've been holding out for a tax-free income of 10%? Eventually, you thought someone would get round to offering you lower charges? Perhaps, a PEP linked to the right investment trust might come along? Sometime, a company would appear that offered you all three? That time has come.

Form for River & Mercantile Investment Management Limited. Includes fields for Name, Address, and a coupon to request a PEP brochure.

Weekend FT

SECTION II

Weekend December 16/December 17, 1989

A MOLEHILL of smoke appeared on the horizon, the sky mark of Prague. "We will be landing at Buzyn airport in about 15 minutes," announced a Czech voice over the intercom. "You must be terribly excited visiting home after 21 years," said my neighbour. He seemed more excited than I. For me this was the third return to Prague in the course of my life and much less dramatic than the first two.

In 1946, with pounding heart, I dragged myself from door to door only to be met by unfamiliar faces who informed me curtly that my cousins and friends - some 70 of them if I count only those really close - had never returned from Auschwitz and other concentration camps. I thought then I would not survive the pain.

In 1956, when my seven-year-old son jumped into the arms of a father whom he knew only from a few brief visits in prison, I thought my heart would burst with joy.

This third return was an anti-climax. I expected that it would be a possibility when Mikhail Gorbachev took over in the Soviet Union; when it happened I felt unnaturally calm, curiously indifferent, almost as if I had a cold stone where the heart should be.

A. H. Hermann was the Prague Correspondent of the Financial Times from 1964 to 1968, when he fled the country at the time of the Soviet invasion. He spent the Second World War in Britain and returned to Czechoslovakia only to spend six years in jail during the Stalinist period. Exiled in London, for the last 21 years, he was Legal Correspondent of the Financial Times. He is the author of A History of the Czechs.



Our photograph, taken in Prague this week, shows Dr Hermann on the Charles Bridge with two young Czechs - the future. The castle is in the background.

'I am just grateful to have lived so long'

All the same I was looking forward to meeting into the Czech-speaking crowd at the airport, a crowd composed of very distinct individuals, all ready to talk and joke while waiting for passport control. What should I find but hundreds of small male Vietnamese, all in their 20s, whose faces, anoraks and cardboard-packed luggage looked identical. Not only was there no Czech spoken but any approach was firmly resisted by these young men, who had the art of looking past you as if you did not exist.

Later I learnt that they were a contingent of imported workers some 30,000 to 40,000 strong. They are given a year's training and are then employed for another three years in Czech factories. They then return home with consumer durables which, when sold in Vietnam, provide many years' subsistence for their families.

It was dark when I boarded the airport bus and this spared me the view of the Ruzyn Prison, modelled after Moscow's Lubyanka. In Ruzyn I had dimly failed my teachers who were coaching me for the role of false witness in a show trial. If it is true, as it seems, that torture by starvation, sensory deprivation and interrupted sleep is no longer practised in Czech prisons, it could hardly have happened since the political upheaval of the last two weeks. The change - a significant success for the human rights movement - has taken place over a longer period.

A new landmark in Prague is the Intercontinental Hotel. It is like any Intercontinental Hotel anywhere - and grossly over-priced - but it has the advantage of a unique location on the bank of the River Vltava in the old town of Prague.

At breakfast I had a view of the river, of my old law school across the street and beyond to the castle hill and the great Gothic cathedral.

I could not wait to cross the street to enter the familiar central hall. First year students, no doubt on strike, were evidently having a most enjoyable time but did not know where the dean's office was. I found it where it always had been, and as always it was locked.

I called next door on Professor Otto Kuzm, an experienced law teacher, and sat in the very room where some 55 years ago I failed an honours examination in civil procedure. I had to pinch myself to realise that I was no longer a student and that the venerable professor was in fact 20 years my junior.

I enjoyed a discussion of the normative theory of law and other subjects - and not only in Czech - Professor Kuzm, a linguist, moved easily from Czech to American English, Parisian French, Viennese German and back to Czech. My proposed project, to form an Anglo-Czech law association, was received kindly but, I was told, could only be considered when submitted on letter-headed paper - it was Central Europe as always.

I visited a number of old friends likely to know about the present and to speculate about the future.

Vladimir Melisner, who used to be Chief of Cabinet to Zdenek Fierlinger, first Prime Minister after the country's liberation in 1945, still lives in the family house built by his father, a minister of justice in the pre-1938 government; but he occupies only one room filled with books and papers and a huge albatross dog. He still knows everybody and his telephone never stops ringing. But his considerable diplomatic skills are now deployed locally; he is still powerful enough to get public lawns mowed and to stop, single-handed, a motorway being constructed across the beautiful garden district of Vorechovka.

My next call was on Jiri Hajek, a friend from student times when he was leader of the Social Democratic Club. He became Dubcek's foreign minister in 1968 and last time we met it was in the splendid Cesrny Palace. Widowed earlier this year he lives alone in a small suburban house. He has his desk in the kitchen, which seems to be the only warm place.

He really ought to keep warm, I thought, since he suffers from hip arthritis. But he does not seem to care much about his health - nor life's comforts.

As leader of the Czech human rights movement Jiri had exposed himself to continuous harassment over the past 17 years - perhaps that has kept his mind so lively, sharp and balanced. We talked about the likely impact which the end of the Communist monopoly of power would have on relations between the countries of central and Eastern Europe.

Would he return to politics? No, the prospect was an awful waste of time; but he would like to return to the Academy of Sciences from where he was fringed out with another victim of "normalisation."

The next day I had a very different experience. Sinovice, a collective farm in Moravia, sent a car to fetch me. To my great surprise I had a fellow traveller: Vojta Erban, formerly a left wing social democrat, minister of social security and then chairman of the National Front - a position which could be held only by a trusted friend of the Communist Party bosses. He is still a member of the federal parliament.

It amazed me that someone could still think it worth while to give me the benefit of such a guide - if not supervisor.

This venerable power broker, two years my senior and obviously of tender health, has unbelievable endurance; he talked non-stop for the four hours of our eastward journey, plying me with political gossip, spanning the last 40 years and evoking many people I knew.

Arriving in Sinovice, I soon learned that it is not really a collective farm but an industrial group, a capitalist enclave. I had an interview with the boss, chairman Cuba, a hard-faced man who runs the place unsmilingly, according to Tomas Bata's book. (In the period between the wars Bata made this poor district the centre of his worldwide footwear empire. His son, also called Tomas, will arrive home this weekend, after 50 years, from Canada, where the capital of the Bata empire was transferred after the Communist takeover of Czechoslovakia in 1946.)

In Sinovice they ignored the stupidities of central planning and are highly successful in the pursuit of profit. It is, among other achievements, Czechoslovakia's biggest maker of computers, it trades successfully abroad and its employees enjoy wages and benefits unheard of in the rest of the country.

On the way back to Prague Evzen Erban slept and I had a most interesting talk with the chauffeur, who studied archaeology and philosophy; and later with a middle aged professional Communist Youth organiser who wanted to know about the

economics of Thatcherism: We shall have to change our psychology, was his conclusion.

The Old-New Synagogue is only 100 yards or so from the law school. It is one of the first built north of the Alps. The 13th century Gothic building is now a place of pilgrimage for American Jews but it is only with difficulty that it manages to find the 10-man quorum for the service. Only some 1,000 people in Czechoslovakia are now registered with the Jewish communities, and a few more thousand of Jewish origin who still live there are agnostic or converted to Christianity.

There is nothing left of the pre-war cultural strata which produced the writers Max Brod, Franz Kafka, Franz Werfel, Karel Polacek and Dr Alfred Fuchs, the papal chamberlain and ideologue of Czech Catholics.

With some trepidation I opened the door. It is a place where the walls were not white-washed for centuries because they were stained with the blood of pogrom victims who, in vain, sought refuge in the holy place.

I noticed an important change: the walls were white with no remaining traces of blood. "You must have white-washed the place," I said to the caretaker. He was appalled at the suggestion of such a sacrilege. "Never, no one must touch those walls!" So it must have been a miracle, I concluded, and received no reply.

I crossed the old town square to the Tyn which, for 500 years until their defeat in 1620, had been the bastion of Czech Protestants. Tyn was empty and silent; but when I entered St Jacob's great baroque church nearby, music fit for the day of judgment - the Czech nation seems to be preparing for it - thundered from the organ.

The most revolutionary activity of the young sector is to be flag-waving at strategic points on main streets. Walls and shop windows are covered with neatly-typed or painted posters... never forgetting to emphasise that any posters encouraging violence are planted by agents provocateurs. No graffiti on the walls. Prague people cannot bear the thought of defacing the ancient stones.

In the middle of a crowd of some hundreds of thousands a rubbish bin was pushed over: the crowd parted to make room for those who quickly put it up again and collected the strewn rubbish. In spite of revolution and strikes the streets are clean as a freshly scrubbed floor. I wish the socialist borough of Camden, in London, where I live, would try to emulate this.

To the young people who started the great show the 1968 Prague Spring is distant history. Alexander Dubcek, the former premier, appeared, was applauded but found boring as he tended to dwell on the frustrated reformation of 1968.

THE student demonstrations, which started on a small scale, swelled when someone not yet identified ordered a special police unit to enclose and beat up students commemorating November 17, the anniversary of the Nazi massacre of students and the closing of the Czech universities in 1939. The students now seem to believe that they overturned the Communist regime by the noise they made in Wenceslas Square.

In reality the security apparatus would have been perfectly capable of crushing any student revolt and sporadic strikes. The fact that this force was not deployed can be explained only by the action of the hidden hand. Moscow, no longer the object of public adulation, is still a power to be reckoned with in these parts.

What has changed since 1968? The reform movement then was tame, hesitant, sincere and opposed by the party apparatus. Today it is radical, all-embracing and possibly not entirely sincere.

There are people who fear for the loss of the little comforts they organised for themselves in the economy of scarcity. There are others who fear a backlash, even if only sporadic and spontaneous by the security services. But all profess their faith in radical reform and many see it as an opportunity for settling personal accounts and for advancement.

Last Sunday the sky was clear when I awoke, the air crisp and frosty. I went for a walk along the embankment between the National Theatre and the Charles Bridge, a nostalgic walk to the place where I met Zdena for our first date.

Turning on to the bridge and leaning on the railing, I felt the past and the present merge: two young people, a boy and a girl, stopped nearby. One could see that their concern was not with the passage of time nor with political ideals nor with dirty tricks. There may be a future after all, I thought.

But I no longer felt the cold stone in my breast and was grateful to have lived so long.

The Long View

A year when small wasn't beautiful

IT HAS TURNED out to be a very good year for the equity markets around the world and UK equities have gone up with the rest, whatever the little local economic difficulties of this country.

A year ago, I recognised the underlying cheapness of UK equities and I suggested that share prices would rise significantly so. All the same, a gain by the All-Share Index of some 27 per cent has to be viewed as surprisingly large, given that my caution about the British economy has proved to be justified amply.

I warned that there was no way of avoiding a hard landing and that inflation (now 7.7 per cent and rising) would climb higher than anyone was admitting at the time (the Treasury, remember, claimed a year ago that end-1989 inflation would be under 5 per cent). Short-term interest rates have continued to edge higher through the year instead of peaking in the spring, as many forecasters hoped, and the balance of payments numbers have been dreadful. But the stock market has brushed all this aside.

One reason for its resilience, clearly, is that the market has become predominantly international. In 1989, the All-Share Index has, overall, moved very much in line with the FT-Accruals World Index measured in sterling. Buyers pounced swiftly in January, when the All-Share rose by 14 per cent and they never lost faith after

that, increasingly, the big companies, at least, are international in their scope and earnings, not trapped in a British straitjacket.

For small companies, though, it is very different and, in quite a striking way, we have seen two different UK equity markets emerge this year. It has been a dismal autumn for the smaller capitalisation stocks: the Hoare Government Small Companies Index fell by 14 per cent between the beginning of September and the end of November, and this index was up only 5 per cent for the first 11 months of the year. Look at the way the FT-SE Index, which covers the 100 biggest stocks and excludes the small company sector, has this week been within 3 per cent of its pre-crash all-time high, and is up around 32 per cent since January 1.

One reason for the small companies' blues is that, in most cases, they are exposed fully to the domestic economy. Another is that their management resources are feared to be inadequate and inexperienced when it comes to coping with the first recession in eight years. Even so, the extraordinary strength of the market leaders needs further explanation.

One reason is the dog that did not bark in 1989 - the absence of a monetary squeeze. You might believe, if you have been listening to Government ministers, that a tight money policy is being implemented. This is not so. The country is



Barry Riley

It's been a great 1989 for the UK stock market as a whole. But don't say that to the followers of smaller companies

awash with money, albeit at a price. The recent combination, since October, of a weak currency with a strong equity market provides a classic warning of slackness in monetary control.

As I put it 12 months ago:

"Nigel Lawson (or his successor) will be forced to back off at some stage during the coming year." In the end, I said, inflation would be seen as the lesser evil, as it always is in the UK. This autumn, new Chancellor John Major has duly chosen the inflationary path in a quite explicit way.

True, the rise in interest rates has served to prick the house price bubble and the effect on consumer confidence has at last been felt in the High Street. But commercial borrowers have taken over where home-buyers left off.

This brings me to the biggest puzzle of the UK's financial markets in 1989. My greatest fear was of a severe squeeze on the corporate sector. With the public sector and the overseas sector both in very strong financial surplus, the corporate sector was bound to move into heavy deficit. Indeed, figures so far available for industrial and commercial companies indicate a 52bn deficit in just the first six months of the year.

In the past, the corporate sector has reacted violently to such financial pressure, for instance by closing factories and indulging in a wave of rights issues. In 1989, though, it has just shrugged its collective shoulders.

There has, in fact, been a stock famine. The volume of equity issues, itself low, has been more than offset by cash takeover bids for the likes of Consolidated Gold Fields, DRG, Jaguar and Morgan Grenfell.

At the same time, the Government has been buying back its gilt-edged stock from the institutions at the rate of about £1bn monthly. So fund managers have bid-up scarce UK stocks without being able to invest substantial volumes of new money, and have had to satisfy their appetites elsewhere by buying foreign equities and bonds - thus adding heavily to the country's external financing requirement at a time when the annual current account deficit has soared to £20bn.

Why is British industry willing to plunge into debt like this? The conventional explanation is that companies fear being taken over and are trying to make sure that their shares are scarce and expensive. I must say that I am not convinced fully by this. It might also be that British industry now enjoys a much higher return on capital and believes it can, therefore, accept a more risky capital structure. We shall be better able to assess the wisdom (or otherwise) of this in the more difficult trading conditions of 1990.

In sterling terms, then, the UK stock market in 1989 has out-performed Japan - which is up 17 per cent - comfortably but has lagged behind the US market and the similar gain by Germany. An encouraging year, but one which leaves us with the worry that we have seen the seasonally favourable January effect in December.

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Wines Pools for Christmas	XII	Property: Welsh house prices	VIII	Arts	XV-XVI	Food	XII	Stock Markets	II
Foods Festive desserts	XI	Arts Inigo Jones at the RA	XVI	Books	X	Gardening	VI	London	III
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MARKETS

Ghosts of Christmas past

FINANCE & THE FAMILY: THIS WEEK

Water shares: to sell or to hold?

Claire Pearson reports on the latest privatisation issue and concludes that rushing to sell your water shares allocation might not be the best course of action. Page 11

Really interesting presents . . .

Sara Webb visits the Penny-pinchers to find the best financial presents for younger members of the family. Page 14

The games people play

Fancy making a fortune on the board? Peter Berlin looks at the choice of business board games this Christmas. Page V

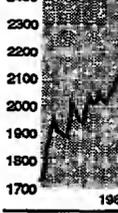
Minding your own business

Nicholas Lander reports on the attractions of managing one's own country house hotel - and on some of the pitfalls. Page VI

Briefcase: Declaring a profit Page V

Oil and Gas

FT-Actuaries Index



Oil price

Brent blend crude (\$ per barrel)



Oil and gas sector is lifted by crude demand

The oil and gas sector was one of the stock market's most active areas this week, with share prices making strong progress early in the week before stalling and slipping back from Thursday onwards. Share prices had been driven up to levels where the Oil & Gas sector relative to the rest of the market was at its highest level since 1984, just ahead of the oil price collapse more than five years ago. Behind the sharp gains in oil company shares was a strong rise in the price of crude oil, which is approaching its highest levels since 1986 following a spate of cold weather across the US that is expected to boost demand. At the same time, analysts believe that the oil majors offer excellent defensive merits - high yields and protection against sterling weakness. But many analysts are now urging caution, pointing out that yields and price earnings ratios now favour the US oil majors. Stephen Thompson

Rash of new savings accounts

Building societies are tripping over each other to woo the public with new savings accounts. The Halifax is launching Capital Xtra, paying 11.8 per cent net annually on a minimum deposit of £10,000. It is a 90-day notice account and the interest rate is guaranteed to be at least 5 per cent above the normal paid-up share rate for the next year. Nationwide Anglia has started a PlatinumBond account for deposits above £25,000; the interest rate is 11.85 per cent and is guaranteed to stay at least 5 per cent above the share account rate for the next two years. Investors are locked in for two years, although you can make instant withdrawals provided you leave at least £25,000 in the account. You will lose 90 days' interest if you do so. The Leeds Permanent has launched a fixed term investment account (the Special Edition account) which pays 11.15 per cent on £5,000 or more, 11.25 per cent on £10,000 or more, and 11.50 per cent on £25,000 or more. You have to leave your money there for one year and you cannot make withdrawals. Sara Webb

Midland Bank adjusts charges

Midland Bank is adjusting its charges for ordinary current account holders who slip into the red. The quarterly "account maintenance charge" has increased from £3 to £5 (there is an additional penalty charge for overdrawing without permission). The charge for autbank withdrawals, direct debits and Switch transactions will be reduced from 27p to 25p while cheques and standard orders will still cost 30p for customers who are overdrawn. These charges do not apply to Midland's interest-bearing current accounts. S.W.

Poll tax helping hand

Older readers who are worried about how the poll tax will affect them once it comes into effect next April may be interested in a free factsheet produced by Age Concern. The Community Charge and Older People contains information about who does not need to pay the poll tax, penalties for non-payment, entitlement to rebates and how to calculate rebates. Age Concern has also published a factsheet concerning legal advice for older people - Legal Arrangements for Managing Financial Affairs - which aims to help the elderly sort out their financial affairs. Both factsheets are available from: The Information & Policy Department (FS21), Age Concern England, Bernard Sunley House, 80 Pitcairn Road, Mitcham, Surrey CR4 3LL, provided you send a stamped addressed envelope. S.W.

Friendly policies transferred

Policyholders with the Fleet Friendly Society yesterday voted overwhelmingly in favour of transferring their policies to Homeowners Friendly Society as the solution to Fleet's financial problems. Fleet said that 63 per cent of its members voted; 8,800 were in favour of transferring the engagements and 30 voted against. The transfer will go ahead on February 15, and both friendly societies have said that policyholders will find the benefits of their existing contracts fully preserved. S.W.

ONE OF THE best-known adages in the stock market is "sell in May and go away." It is a pity, perhaps, that no-one has yet devised an equally catchy "buy in December" jingle. Such advice could, after all, probably claim as good a record as many more familiar investment saws. Certainly it would have been robust advice in recent years. In the last month of 1988, for example, the FT-SE 100 Share Index rose 60 points; in the same period of 1987, it advanced 133 points; and in latter part of 1988, a more modest 20 points, followed by a much sharper increase in January.

So far this year the index has been following the same form. It has now gained 35 points since the beginning of December despite the double effects of Friday's inflation figures, which were unsurprising if hardly much to cheer about - and the US trade figures, which together dented the market by 23 points. The stock market rally, which began in late October, has now recouped much of the 300-point slide which took place in the

early autumn months. It would, of course, be foolish to attribute such movements to seasonal whimsy or a general flood of good cheer. In previous years a variety of "special factors" must have accounted for at least part of the year-end rallies. In 1987, for example, the market was rebounding from the worst ravages of the October stock market plunge; in 1988, the market

example. Nevertheless, the fact remains that funding constraints - both in terms of loans and paper - are curtailing many corporate ambitions. Equally, a number of cash-rich potential purchasers give every sign of sitting tight, in the hope that acquisition prices will dip further in 1990. Indeed, perhaps the best

rates are having on Britain's high streets: November's seasonally-adjusted retail sales volume was down 0.8 per cent on the previous month, lower than many analysts had been expecting.

Moreover, statistics released the same day on output prices were also at the more optimistic end of City predictions. They confirmed that there was only a minimal increase - up 0.2 per cent, if food, drink and tobacco are excluded - in factory output prices last month.

As for the inflation figure itself, that too rolled in roughly in line with estimates on Friday. The year-on-year inflation rate rose to 7.7 per cent in November, compared with 7.3 per cent in October. However, the October figure benefited from the fact that the previous year's 1.35 per cent rise in mortgage rates fell out of the comparison. Equally, the November figure suffered as the latest 1 per cent rise in mortgage rates was fed in. Stripping out the impact of mortgage interest payments, the "underlying" rate is put at a constant 6.1 per cent during both months, a touch better than the City had feared.

But, no matter how much the market may wish to turn a blind eye, the damaging effect which the interest rate squeeze is having on the profitability of an increasingly wide range of UK companies is painfully obvious.

And that message, too, was rammed home this week by the daily stream of companies issuing profit warnings or announcing reduced figures. Many of these were unsurprising, but more than 19 points on Tuesday and was down by a similar amount at Friday lunch-time - looked a rather overdue dose of realism. Unseasonal though it may be, words like "frothy," "vulnerable" and "consolidation" have become uncomfortably prevalent in analysts' recent circulars. Whether the more sober approach spills over into the

'The damaging effect which the interest rate squeeze is having on the profitability of UK companies is painfully obvious'

was influenced by quite a lot of year-end bid activity.

However, this year, few of these special factors have been particularly evident. True, there has been a very modest increase in high-profile contested bids, with the Higgs & Hill, Hestair and Dixons battles currently changing away. Corporate restructurings have also been a rather more evident, like that at British Land, for

thing that can be said for the market in December 1989 is that it has been spared any bad news. And that alone, given the current economic uncertainties and the market's obsession with every statistical twitch, may explain a good part of the recent upward trend.

On Monday, for example, there was further confirmation of the impact high interest

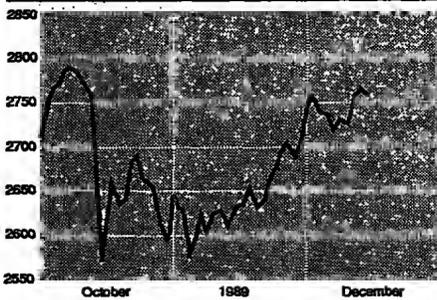
HIGHLIGHTS OF THE WEEK

	Price Ytd	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2344.7	-18.8	2426.0	1782.8	Pre-Christmas profit-taking.
Abbey National	172	+11	175	134	De/ve, UBS, buy notes.
Argyll Group	202	-25	258	164	Broker's bearish note on sector.
Blick	204	+30	279	172	Excellent preliminary results.
British Soneo	680	+96	670	485	G.I. of Mexico drilling starts Jan.
British Land	378	-24	410	278	Investor revolt bill.
Charter Cons.	454	-14	583	450	Comment following figs.
Davies & Newman	775	+120	995	555	Very narrow market.
Eurotunnel	523	-95	1172	378	Market unesse.
Ferranti	35 1/2	-6 1/2	113 1/2	34 1/2	Daimler-Benz will not bid.
Polar Electronics	95	+17	112	77	Preliminary profits up 31%.
Runcorn (W.)	480	+60	500	333	22% stake changes hands.
Silenbright	76	-14	190	76	Profits warning.
Western Motor	608	+78	855	473	Bid speculation.
Yellowhammer	83	-60	213	81	Bad results.

WALL STREET

In search of a new high

Dow Jones Industrial Averages



FOR THE second time in two weeks, the Dow Jones Industrial Average has approached the 2,750 mark and banished. This is the final hurdle which stands between the market and the all-time high of 2,791.41 which traders have been hoping to challenge by early in the New Year.

The chances of the final hurdle being overcome appear to have improved this week, to judge by the market's surprising resilience in the face of another barrage of bad news, from both the economic statisticians and the corporate finance directors. And if the Dow did rise again towards its early October peak, a move above 2,800 would be almost a foregone conclusion.

However, with the old record less than 2 per cent away, it is now near immaterial whether a new high is established within the next few weeks. What matters to all but the most adventurous speculators is whether the spectacular recovery from the October mini-crash will turn into a new upward trend after the old record is broken.

If it does, and its 2,800 mark on the Dow is breached decisively without too much trouble, then it would probably be a reasonable bet to rely on bullish sentiment alone to carry equity prices up another 5 to 10 per cent. "The trend is your friend," as they say in Chicago, and a strong enough trend to take the Dow above 2,800 might well prove unstoppable for a few months.

On the other hand, the market were to turn sharply down again either before or just after another attempt to breach its old record, the odds would be alarming. Such an aborted rally would put the onus for driving the market higher back on economic and financial fundamentals, rather than trend-following psychology. And this would probably be bad news for most, if not all, investments in the US stock market.

The fundamental problems were well illustrated by yesterday's economic announcements. Not only was the October trade deficit of \$10.2bn the worst monthly figure recorded this year, but the big revision of the surprisingly low September figure confirmed the pessimism made by almost all reputable economic forecasters, but steadfastly ignored by the market; that the speculative bubble in the dollar in the past 18 months has put the nation's trading position once again on a deteriorating trend.

Industrial production, capacity utilisation and business inventory figures all conveyed the same message - that US-based manufacturers are now on the brink of recession, despite the continuation of modest growth in overall GNP and consumer spending.

On its own, this conclusion might not have been too bearish for a stock market which had long since been taking its cue from interest rates rather than corporate profits, and which had therefore been looking forward to this year's abrupt slowdown in economic growth. This is indeed why many analysts predicted that Wall Street would move sharply higher yesterday in response to the economic figures, since the morning's statistical releases included somewhat better than expected news on producer prices.

4.6 per cent. This is hardly a bullish statistic from the Federal Reserve's standpoint, given that PPI movements foreshadow only the goods component of the consumer price index, while the even more inflationary services component continues at a monthly rate of more than 5 per cent.

But what makes for real danger in the conjunction of economic indicators released on Friday is the way in which interest rates, trade deficits and inflation expectations could soon begin to interact.

The deteriorating US trade deficit suggests that it is now only a matter of time before the dollar starts falling quite abruptly against the yen, as well as the Deutschmark. In the long run, this devaluation will be good for the US economy in general and for manufacturing industry in particular. Indeed, if it proceeds rapidly enough, the fall in the dollar will probably be sufficient to keep the US economy out of recession until at least the congressional elections due next November.

But the declining dollar could be extremely bearish for the bond market. Not only would it deter Japanese investment; even more important it could take the pressure to ease monetary policy off the Fed. Given the falling interest rate assumptions now built into the equity market, such a turn of events could rapidly puncture the recent burst of optimism.

Thus, even if the US economy manages to avoid recession and even if its manufacturing sector does begin to recover - both of which are likely - the outlook for the US financial markets probably lies ahead. But first some unexpected happening may be needed to break the wave of optimism.

Monday	2783.94	+ 3.20
Tuesday	2782.13	+ 23.80
Wednesday	2781.09	+ 3.98
Thursday	2783.68	- 7.46

Anatole Kaletsky

Brewers face the future with good cheer

THE RECENT round of results poured out by UK brewers has put a good head on the sector - and there are few signs of it going flat over the coming year. It has outperformed the market by 6.5 per cent this year and appears to have scope for further progress.

There will be a substantial realignment of assets as restructuring of the industry set in train by the Monopolies and Mergers Commission report gathers pace. The Government's decision to compel motor distributors to Whitbread's wine and spirits division, and 300 Scottish and Newcastle pubs - should fuel that re-rating.

Continuing high interest rates in the UK could be a drag on profitability. But much of the majors' current debt has been raised outside the UK at lower rates; the level of interest cover generally suggests

that there will be no problems in servicing; and planned disposals and a strong cash flow should help companies such as GrandMet and Bass to reduce gearing rapidly.

The smaller, regional brewers may find the interest rate burden harder to bear. But many have made plain that they are prepared to stand short-term costs to secure the long-term advantages of this one-off chance to expand their estates. With perhaps some 11,000 pubs to be freed of the big brewers' ties, the regionals will have many opportunities to acquire new outlets for their beer brands.

The regionals with strong beer brands are already boosting their advertising spend and licking their lips in anticipation. West Country brewer, Devonian, already pushing its Newquay Steam Beers nation-

ally, aims to buy 400 to 600 pubs, more than doubling the size of pub estate. Wolverhampton & Dudley's Banks Bitter is another potential beneficiary of the changing pub scene, as are Marston's Pedigree, Whitbread's recently-acquired Boddington's, Greene King's ales and other regional brands.

Though the effect of the squeeze on consumer spending has been showing up here and there, it has not yet had a marked impact on sales of beer, wine, spirits and soft drinks or on eating-out habits. Most expect things to get tougher through Christmas and into the New Year, but few are too gloomy. Even the pessimism of Wolverhampton & Dudley's David Thompson who says the next 12 months "does not hold out much cheer" is offset by the company's guar-

antee of at least a 10 per cent increase in the dividend.

Sir Derrick Holden-Brown, Allied-Lyons chairman, says business will be affected "but we expect further satisfactory profits growth." Whitbread's Peter Jarvis says sales have been encouraging; GrandMet's Allen Steppert says its global strength will see it through any UK market problems.

Like GrandMet, Bass and Allied-Lyons, too, have been diversifying and expanding internationally to reduce their exposure to UK consumer spending. Bass, the country's biggest brewer, looks particularly well placed with its leading brands in the UK and its hotel acquisitions in North America. The UK accounts for some 55 per cent of the majors' combined operating profits, and it is still declining.

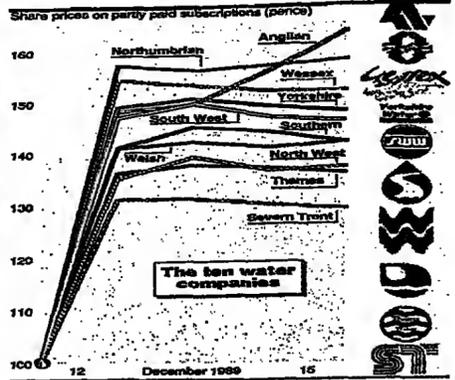
Several of the regional brew-

ers have also been reducing their dependence on the pub trade. Vaux is moving successfully into nursing homes as well as hotels. Scott & Newcastle has pushed on from Puntis holiday camps into Centurys in Europe.

The MMC report has been a catalyst for change. Fear about the damage it might inflict was the major factor inhibiting the industry's market performance ahead of its publication. But by forcing brewers to face commercial realities, to make a realistic review and analysis of operations, it has encouraged a much sharper awareness of the opportunities that the loosening of the tied-house system is opening up.

Investors, and the market, are now beginning to appreciate them as well.

Philip Rawstone



full year warning; and so on. It is largely for this reason that an increasing number of commentators have talked of a market correction for some time now - and, indeed, towards the end of this week, some downward adjustment did finally appear to be under way.

While the threat of higher interest rates may have receded, runs the bearish argument, any prospect of a reduction - and a consequent easing of corporate pressures - is still a good way off.

Even the more optimistic analysts are talking of trading profit growth of little more than 5 per cent next year, and that largely thanks to Britain's more export-oriented companies.

With such thoughts in mind, the market's dip at the end of the week - Footsie fell by more than 19 points on Tuesday and was down by a similar amount at Friday lunch-time - looked a rather overdue dose of realism. Unseasonal though it may be, words like "frothy," "vulnerable" and "consolidation" have become uncomfortably prevalent in analysts' recent circulars. Whether the more sober approach spills over into the

pre-Christmas week's trading remains to be seen; certainly some of the more bearish voices are predicting a drop in Footsie to the 2300 to 2350 level in either the dying days of 1989 or the early New Year.

If so, the most relieved people around may be the innumerable advisers to the water companies' flotation. The prolonged stock market rally must have been watched gratefully as the complex launch of the 10 regional water companies reached its final stages last week. Shares in all the companies rose to healthy premia when dealings began on Tuesday, with early prices ranging from 27p at Northumbria to 81p for Severn-Trent, compared with the 100p partly-paid issue price.

That may give the many thousands of small investors who received shares in the privatisation a warm pre-Christmas glow. But, as the remorseless tide of profit warnings from the UK domestically-oriented companies continues, one is bound to wonder how cheerful shareholders generally will be feeling in the cold light of 1990.

Nikki Tait

JUNIOR MARKETS

New blows for Aunt Sallies

FOREIGN companies have long been the Aunt Sallies of Britain's Unlisted Securities Market. A succession of over-hyped launches and poor earnings records of US companies have provided the USM with some of its most lurid disaster stories.

If any year was to break this mould, it should have been 1989. As small companies founded in the economic problems of the UK, overseas companies should have had a chance to shine. So, on the face of it, they have.

Last year, the 10 worst performing companies on the USM included six US-based companies. This time round, by contrast, four overseas companies were in the top 10 performers' league.

But appearances may be deceiving. Three out of four of these star performers are exploration companies - buoyed by the revival in the oil price, new discoveries or simple speculation. The fourth, Borland International, a US software company, has bounced back into profit this year. However its extraordinarily erratic history, which included a \$2.8m loss in 1988-9, hardly a record to conjure with.

While there are reasonable successes among the 44 foreign companies on the USM, they are overshadowed by the failures. Indeed, it might seem that the reason that overseas companies do not head the list of worst-performing companies of the year is that their disaster performance in previous years gives them pitifully little distance to fall.

Thus shares in UES International, a beleaguered management architectural and engineering consultant, have fallen from 2.2p to 1.75p over the year but do not merit a place on the laggards' list.

Other examples of continued failures abound. Orchid Technology, a Californian software company, capped its disastrous launch in 1987 with a 65 per cent fall in its share price in 1988. This year it has lost half its value again as it plunged into losses caused by restructuring costs, delayed new product launches and the collapse in the price of memory chips.

Similarly, Optometrics, an optical systems specialist, has continued its chequered progress with this week's announcement of a fall in profit due to problems in its UK subsidiary. This left its share price at 19p - little more than a third of its launch price of 59p.

In some cases, though, there have been some signs of improvement. Shares in Mrs Fields, the cookie maker which was among the USM's worst performers last year, have picked up marginally this year after it managed to cut losses. Tibbitt Harris LI, an architect-

ture and design group which lost 75 per cent of its value in 1988 after an overambitious expansion programme, has returned to the black - although its shares are languishing at 29p compared with the 1986 placing price of 112p a share.

These minor improvements will hardly wipe the slate clean when compared with the overall performance of overseas companies.

Since the formation of the USM, its record has been dogged by spectacular failures such as Nimsis, a 3D camera maker (now reborn as Fairhaven), Chemical Methods, a dishwasher manufacturer (which has since been taken over) and Pavilion International a maker of cheap-end cheerful cosmetics which in September had an administrator appointed.

So why has the performance of overseas companies been, by and large, so poor?

As business after business has run into problems, embittered UK investors have increasingly come to the conclusion that the type of foreign companies interested in joining the London market are generally of low quality. The suspicion is that UK companies come to the UK because investors here are more tolerant - and possibly more gullible - than their US counterparts.

The companies themselves say that London is less onerous in terms of disclosure requirements and in terms of the percentage of equity that needs to be sold, and - until recently - more enthusiastic about US imports.

That British welcome may now have dried up, however, US launches, such as the recent market's Richmond Oil & Gas, have been few and far between recently. On the USM this year, the only newcomers to the overseas contingent have been two companies from continental Europe: La Crosse, a French maker of cast iron pots and pans, and R & V Information Services, a Dutch computer systems house.

So far, La Crosse has not scored its welcome. Its shares have risen from 185p in July to 163p, even though a third of its sales go into the lacklustre UK market.

R & V, however, may have confirmed the prejudices about foreign companies. It joined the market with a high profile after lauding the greater liquidity and publicity afforded by the USM compared with the Dutch equivalent. But the City's cynics may have taken notice, after announcing a sharp drop in interim profits, its share price dropped from 65p at flotation to 29p.

Vanessa Houlder

FINANCE & THE FAMILY

Clare Pearson looks at the latest privatisation issue and concludes that a rush to sell might not be the best idea

Water: those who wait could profit the most

LOOKING at the sparkling stock market debut of the water companies this week, some people may think the best Christmas present Santa could bring them would be a stocking full of profits on the shares. However, like many another wished-for gift, this is not likely to arrive.

under special posting arrangements, all of them, together with their respective shares, will be sent out by Wednesday. Only the fleet-of-foot will be able to use them to sell shares before the weekend. However, any frustrated "stags" cursing his decision to put money into the water flotation in the first place should pause a moment.

age to sell their holdings before Christmas will not actually make their profit until well into 1990. And you should find it even more cheering to take a look at the accompanying table, which shows just how far from the truth is the popular idea that you are bound to miss out on the big gains by not selling your privatisation shares immediately.

ated British Ports the following year, the picture looks even brighter. Howard E. Hyman, director of privatisation services at Price Waterhouse, says: "On the whole, you haven't lost by waiting; in fact, you've done better."

There is no reason on fundamental grounds for the shares to fall below present levels, according to Lakis Athanasiou, an analyst at stockbroker Phillips & Drew. "I think the institutions are not bidding the shares up to silly levels to get hold of stock at the moment, and that should provide support into the new year," he says.

All in all, would-be stags compelled to delay their share sales until next month need not agonise. There seems at least a sporting chance they will actually out-do their fast-moving peers.

decision is a complicated matter, but consider the following situation. You qualified for customer incentives and opted to receive cash discounts off the second and third payment instalments on the share price. You decide to hold your shares through to the second call next July and long enough to qualify for the first dividend, which is paid on October 1.

have gained 10p off the next instalment plus the dividend, which averages-out at 10.5p net for the 10 companies, adding-up to 20.5p (assuming no change in the share price). Set this against how you might have been placed by early October if you had sold your shares next month.

THE WATER SHARE OFFERS. Table with columns for Examples of allocation amounts, Applications for, 500 Shares, 1,000 Shares, 3,000 Shares, and sub-columns for Customers and Others.

Many investors are having second thoughts about their plans, says John Edwards. Shares shortfall drains PEP options

THE SHARP cutback in allocation of water shares, as a result of the big oversubscription, is likely to cause problems for investors wanting to transfer their shares into a personal equity plan (PEP).

insist on shares being bought in the market to make up the shortfall. At the same time most schemes have basic charges that can make the transfer of a small number of shares very expensive.

Meanwhile, PEP managers are busily pointing out that next Friday (December 22) is the practical deadline for taking out an "old style" (1988) PEP. This is because investors have to be given a seven-day "cooling off" period.

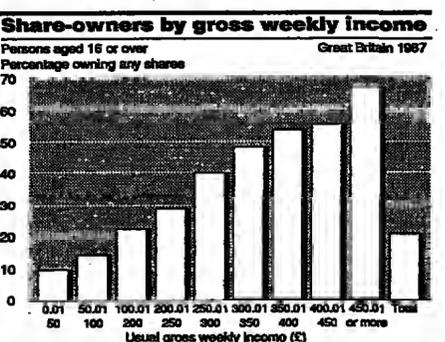
new plans and become subject to the new regulations. One change is that you can hold cash indefinitely in a new PEP but it is subject to deduction of composite rate tax (currently 21.75 per cent but rising to 22 per cent in April) from the interest.

These restrictions do not apply until April, but it had been assumed that any non-qualifying investments would have to be brought into line after April. However, the Revenue has now said that it will not insist on existing holdings taken out before then having to comply with the 75 per cent UK shares rule.

Terry Dodsworth examines the public's attitude to wider share ownership. Investors who take the money and run

WATER privatisation has proved one again that people who don't own shares can be persuaded to buy them with a barrage of expensive promotion and a bargain basement price. To this newly-awakened interest in the stock market, deepening the public's involvement in share-dealing.

ber of people owning shares in only one company was around 56 per cent, a figure that might well have increased after the Abbey National and water flotations. Shareholders created by the trend towards employee share ownership appear to be equally dormant as stock market investors.



bonus of gas vouchers exercised by many shareholders. If, for instance, an investor had bought 2,500 British Gas shares, he would have been eligible for total voucher payments of £250 over the past three years.

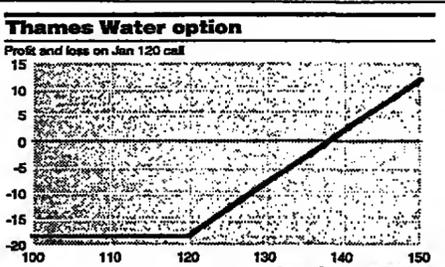
take part more actively. This is, perhaps, the main issue in any attempt to create a more broadly-based shareholding community. What comes through overwhelmingly in the general Household Survey is that private shareholders are basic disproportionately in the fertile financial acres of the south-east, while a far higher number of professional and managerial people are drawn into ownership than people in manual clerical jobs.

PEOPLE POWER has triumphed at the Financial Intermediaries, Managers and Brokers Regulatory Organisation (Fimbra), the watchdog body responsible for independent financial advisers and smaller investment management companies.

arrangements. The common view was dropped, but too late to prevent a mutiny. The Fimbra council ahead of the association's annual general meeting at Wembley in London on Wednesday announced a series of concessions designed to introduce greater democracy and member participation into the way it makes decisions.

lack of communication. Third, Fimbra will review its operations to see where it can improve and streamline, a review that was inevitable anyway given the thoughts flooding out from the Securities and Investments Board and its chairman, David Walker.

tion to the existing deputy chairman, John Robertshaw of York Trust. Various speakers at the agm pleaded with delegates that, having got their recommitments against Fimbra off their chest, they should put the events of the past few months behind them and make the financial services system work.



Peter Berlin visits a market where risks are a way of life. Keeping the options open

ON TUESDAY at 9 am, when dealing in water shares began, Thames Water chairman Roy Watts was in the visitors' gallery at the London Stock Exchange. This might appear odd because the stockbrokers abandoned the floor of the Exchange in favour of trading screens after the Big Bang in 1986, and two-thirds of it was deserted early as Watts looked on. Below the gallery, though, the south-east corner of the floor was a brightly coloured jabbard of activity as the London Traded Options Market (LTOM) began its trading.

variety of dates. A call option gives the buyer a right to purchase the underlying shares at a fixed price at the agreed date. A put option gives the buyer of the contract the right to sell. Buying a contract places no obligation on the purchaser beyond paying the initial premium. But someone who "writes" an option must be prepared either to hand over the money or the shares if the market goes against him.

now. (When interest rates are high, buying an option might be cheaper than borrowing.) They might want to write options against shares they already own to defray the cost of buying the shares, or because they plan to sell the shares before the second payment becomes due, or as insurance against a fall in share price.

Butcher believes the Water Package will prove less attractive to the private investor because of the size of the underlying holding needed to write options, and because it is likely to be a highly technical market. Just before the water flotation, the LTOM introduced its advertising campaign aimed at private investors. It has published a booklet giving a list of brokers and prices for those interested in the options market.

Framlington chairman

MARK ST GILES is to be new chairman of the Framlington investment group. He takes over on January 1 from Bill Stuttaford, who gave notice of his impending retirement from Framlington in September.

It was no secret that Stuttaford was finding it very difficult to continue as chairman of the group, which he helped to found, after losing a takeover battle to Throgmorton Trust, formerly an affiliated company.



Mark St Giles meetings, he will help with general strategy and future of the Framlington group. St Giles, who is 43, is already well known in the unit trust industry. He was managing director of GT Management for five years until 1988 after being with Allied Hambro from 1975 to 1982. He was also chairman of Fimbra (Financial Intermediaries Managers and Brokers Regulatory Association) from 1985 to 1987.

Eric Short

J.E.

FINANCE & THE FAMILY

Revenue raises tax on deposits

TAX ON building society and bank deposits is to go up next year for the first time since the banks were brought into the composite rate taxation system in 1985. The increase will be quite small: from 21.75 per cent at present to 22 per cent, or the equivalent of about £25 a year on an investment of £10,000. But it reflects a reversal of the trend in recent years when composite rate tax (CRT) has fallen in line with basic tax rates.

The Inland Revenue says the increase is due solely to the application of the mechanical formula for calculating the composite rate, so taxpayers should not jump to conclusions about the views of the new Chancellor on personal taxation.

CRT, first introduced for building societies in the 1980s, was designed to simplify tax collection. It meant that the same amount of overall tax that would have been gathered if individual investors holding the deposits had been taxed at the basic standard rate (now 25 per cent) for taxpayers or zero for non-taxpayers.

In effect, it means that non-taxpayers have to suffer a tax which they cannot recover (the composite rate levy cannot be reclaimed) while basic-rate payers are taxed at a lower rate because of the subsidy they are receiving from investors who would not normally be paying tax.

The Revenue fixes the level of CRT each year following a survey of depositors in the building societies and banks. This determines the rate that is required to bring in the tar-

get amount of tax; so, if basic rates are moving down, the composite rate in the following year should fall to take account of this trend. Indeed, the composite rate has dropped from 25.25 per cent in 1986-87 (reflecting the 30 per cent basic rate in 1985-86) to 21.75 per cent in 1988-89 following the cut in personal tax to a 25 per cent standard rate in 1988-89.

In the 1989 Budget, however, there was no further reduction in basic taxes and, with incomes going up, a number of former non-taxpayers have moved into the standard-rate tax bracket; hence the increase in CRT which must go up to accommodate the greater number of basic taxpayers holding deposits.

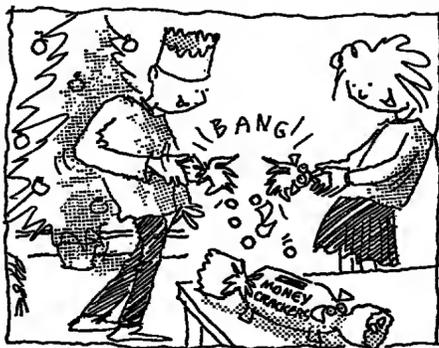
In principle, there is likely to be a reduction in the composite rate in the 1991-92 tax year following the introduction of independent taxation for married women from April. The new system is expected to increase the number of non-taxpayers, mainly because married couples' joint incomes will no longer be aggregated under the husband's name. So, if the number of non-taxpayers goes up, the composite rate should decline.

Meanwhile, it is difficult to predict the overall impact on depositors of next year's planned CRT increase. Clearly, the increase in CRT which must go up to accommodate the greater number of basic taxpayers holding deposits may choose to absorb some of the cost to help maintain the present level of returns for investors.

Terry Dodsworth

Sara Webb has some Christmas ideas for children

How to make presents really interesting...



micks, such as back-packs, stickers and piggybanks.

The Building Society Shop, which monitors rates, quotes the following figures (net) for accounts starting with just £1:

- Bradford & Bingley Account - 6.75%;
- Leeds Permanent Young Leader - 7%;
- Woolwich For Kids - 6.75% (same as instant access);
- Chelsea Kids Account - 10%;
- Bank of Scotland - 7.25% on minimum balance;
- Britannia - 8.5%.

Priscilla tells him he would be better off opening a bank account offshore - somewhere like Jersey, Guernsey or the Isle of Man. All of the large banks (including Abbey National) have offshore branches and, even though the Inland Revenue does not like these offshore accounts to be promoted in the UK, there is no reason why a child should not open one.

The only problem is that the minimum amount required may be quite high; for example, £500 for an Abbey National immediate access account which pays 12.5 per cent gross.

Fenelope (a goody-goody in her brother's eyes) wants to save all her money and so is prepared to leave it untouched in an account for years on end. Priscilla tells her that for small or large amounts of money which she does not need to get her hands on in a hurry, she could choose to invest in:

- National Savings Interest

and you usually have to lock-in for one or two years (which could be to your advantage if you think that interest rates will start to come down during that time). They often accept quite low minimum deposits.

Money Facts highlights the following retail co-operative societies: Anglia Regional, 14% fixed at £100 or more (tel: 0783-6322); Norwest, 13% fixed on a minimum of £10 (061 499-3322); North-Eastern, 14.5% on a minimum of £500 (091 477-0291).

For larger amounts of cash (say, a couple of thousand pounds), Priscilla tells Fenelope that their father's stockbroker may be prepared to take

the money in an "Iceberg account" where interest is paid gross. Such accounts are technically only meant for short-term investment by clients, but some brokers are prepared to let their clients keep money on deposit and receive the interest gross.

If Fenelope is prepared to take a more active interest in her investment, rather than just leave it in an account, she could put her money into gilt (government securities), which is paid gross and they can be bought from the National Savings Bonds and Stock Office. However, Priscilla warns her that, over the long term, a well-managed unit trust would probably outperform gilts.

Finally, Fenelope considers buying a Friendly Society Bond, where the proceeds are paid tax-free. Even if her parents provide the money, the contract for her property, which she can bear the tax liability. She can either pay a lump sum or make monthly/annual contributions.

Priscilla, who wants to invest a larger amount of money, decides to look at unit and investment trusts on the grounds that over the next 10 years her investment would have plenty of time to grow. She is well aware of the risks involved and points out that it is not a good idea for her parents to provide the money (a minimum of £250 is necessary) because of the tax liability.

She is also well aware of the marketing gimmicks favoured by those in the business. The MIM Britannia Rupert Child Trust is aimed at parents investing on behalf of their children and plugs the Rupert Bear image. It invests in "blue chips" and has a minimum investment of £25; which is lower than most other unit trusts. So far, it has invested about £2m, mostly on behalf of children up to the age of five. Investors get Rupert stickers and cards - but have to pay £5 for a Rupert scarf and £10 for a Rupert bear unless they invest £1,000 or more - which must make Rupert one of the world's most expensive bears.

Priscilla decides it is probably as inactive to go for a general unit trust; for example, an international growth trust rather than a specialised unit trust which would require some active management.

Secretly, Fenelope decides that if anyone wants to give him a very large amount of money he would be better off having his own share portfolio, or a collection of gold coins (like the Canadian Mapleleaf, Chinese Panda or American Eagle). Although these are not the most economical way of buying gold, they are marginally more fun for a child than a dull old passbook.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividends per share (p)
Airtours	Sept	5,210 (4,070)	20.8 (17.5)	7.0 (6.25)
Anglia Securities	Sept	4,450 L (8,408)	- (51.1)	2.0 (4.0)
Associated Paper	Sept	3,850 (7,380)	6.8 (25.5)	5.75 (8.8)
Baggeridge Brick	Sept	5,720 (7,540)	15.9 (21.4)	3.125 (2.5)
Biff	Sept	5,390 (4,720)	18.6 (16.8)	6.5 (5.8)
Bradstock Group	Sept	1,170 (6,840)	14.2 (17.7)	7.5 (8.75)
Burns Anderson	Sept	4,000 (4,250)	6.5 (6.1)	4.5 (4.1)
Carroll's	Sept	112,300 (112,300)	53.2 (40.5)	3.37 (2.5)
Carroll PJ & Co.	Sept	1,700 (8,500)	2.0 (10.7)	8.2 (8.2)
Charterhall	Sept	40,900 (34,900)	- (-)	- (-)
Chemring Group	Sept	4,710 (4,262)	78.7 (69.2)	24.5 (21.9)
City Site Estate	Sept	6,940 (3,670)	32.9 (15.5)	1.5 (1.5)
Colson's Dev.	Sept	288 (4,688)	4.8 (7.7)	3.2 (1.2)
Compass Group	Oct	23,800 (13,300)	24.7 (14.0)	8.0 (-)
Davenish JA	Sept	14,020 (11,500)	23.0 (20.2)	4.65 (3.55)
Edenport Leisure	Oct	929 (279)	- (-)	- (-)
Electric Investments	Sept	16,700 (9,950)	3.32 (4.49)	5.5 (7.2)
Electronics	Sept	150,800 (148,400)	44.8 (43.5)	15.6 (15.0)
Eurocity	Sept	7,070 (3,410)	10.4 (8.22)	3.0 (0.8)
Granada Group	Sept	164,000 (142,000)	30.1 (28.1)	32.5 (11.2)
Holmes & March	Sept	7,670 (4,460)	30.2 (25.8)	7.2 (6.0)
Healey Group	Oct	15,250 (15,250)	14.9 (25.5)	1.5 (1.0)
Johns & Fish	Sept	10,220 (7,894)	5.2 (5.8)	2.6 (2.0)
Lee Arthur & Son	Sept	7,740 (6,030)	16.3 (12.6)	5.5 (4.25)
Polar Electronic	Sept	1,280 (939)	12.3 (9.9)	2.5 (-)
Richardson	Sept	2,770 (2,450)	8.96 (8.4)	3.75 (3.5)
Richardson	Sept	3,000 (5,570)	14.9 (25.5)	1.5 (1.0)
Sherriff Hidge	Sept	1,050 (778)	14.1 (12.4)	4.5 (-)
Spyhawk	Sept	23,280 (17,520)	59.5 (48.0)	14.0 (12.5)
Stakis	Oct	27,110 (24,490)	9.22 (7.58)	2.31 (1.99)
Teredo Petroleum	Sept	31 (110)	- (-)	- (-)
Thorn Group	Sept	2 (700)	15.7 (19.2)	4.75 (4.25)
Thon Holdings	Sept	1,420 (1,370)	6.86 (6.47)	2.9 (2.6)
TMO Advertising	Aug	2,200 (1,220)	18.3 (13.7)	5.25 (3.0)
UK Land	Sept	5,540 (11,260)	82.5 (163)	14.5 (11.0)
Vaux Group	Sept	31,870 (31,870)	18.5 (18.0)	3.25 (3.25)
Weston Plant	Sept	1,580 (928)	8.3 (5.3)	3.5 (-)
Weston & Philip	Oct	3,750 (3,610)	15.9 (15.5)	10.1 (9.4)
Wolver & Dudley	Oct	30,830 (26,870)	31.0 (26.8)	8.2 (7.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Earnings per share (p)	Dividends per share (p)
Airsprung	Sept	905 (1,290)	2.32 (3.23)	- (-)
Authority Invest	Oct	1,410 L (1,580)	- (2.0)	3.25 (3.25)
Bechtel	Sept	680 (680)	2.2 (-)	- (-)
Berkley Group	Oct	2,200 (12,750)	1.5 (1.5)	- (-)
Borwick	Sept	1,640 (284)	0.5* (0.5)	- (-)
BSS Group	Sept	6,630 (5,620)	5.75 (5.0)	- (-)
Builder Group	Sept	1,600 (1,040)	1.5 (1.2)	- (-)
Busby	Sept	380 (-)	- (-)	- (-)
Bulmer HP	Oct	7,640 (6,567)	2.88 (2.88)	- (-)
Charles Consolidated	Sept	38,500 (32,100)	6.5 (4.75)	- (-)
Clarke Hooper	Oct	1,650 (883)	1.6 (1.45)	- (-)
Coated Electronics	Sept	110 (211)	- (-)	- (-)
Coleman Helicopter	Sept	117 (740)	1.6 (1.6)	- (-)
Dorby Group	Sept	37,000 (32,500)	3.5 (3.2)	- (-)
Eliza Tansley	Sept	548 (989)	1.8 (1.8)	- (-)
ERF Holdings	Sept	3,740 (2,834)	4.0 (4.0)	- (-)
Eve Group	Sept	2,300 (1,730)	2.5 (2.0)	- (-)
Eye Group	Sept	4,038 (2,700)	2.9 (2.0)	- (-)
First Art Development	Sept	2,030 (2,520)	2.25 (2.25)	- (-)
Firth GM Holdings	Nov	807.5 (508)	0.95 (-)	- (-)
Fuller Smith & Turk.	Sept	3,900 (3,400)	1.86 (1.65)	- (-)
Gardiner Technology	Oct	105 L (220 L)	- (-)	- (-)
Gold Greenless Trail	Oct	3,510 (3,510)	3.3 (3.0)	- (-)
Halsam	Sept	5,690 (5,064)	0.71 (0.54)	- (-)
Hartland Simon Group	Sept	1,720 (1,130)	1.5 (1.0)	- (-)
Harris Philip Hidge	Sept	746 (449)	2.0 (2.0)	- (-)
Hidding Finetec	Sept	193 (415)	0.5 (0.5)	- (-)
Holmes Brewery	Sept	48 (31)	- (-)	- (-)
Hummer Saphir	Sept	2,320 (2,100)	1.35 (1.25)	- (-)
Ivory & Sims	Oct	1,600 (1,580)	1.25 (1.25)	- (-)
JLI Group	Sept	881 (887)	1.3 (1.17)	- (-)
Leamroth & Birchall	Sept	107 (214)	- (-)	- (-)
London Securities	Sept	1,620 (1,140)	0.5 (-)	- (-)
Lovell GP	Sept	127 (86 L)	2.0 (-)	- (-)
Marking Industries	Sept	4,980 (3,500)	1.3 (1.2)	- (-)
Melville	Oct	512 (512)	1.5 (1.5)	- (-)
M&G Second Dual Tel	Nov	1,200 (1,200)	11.4 (9.64)	- (-)
Mining & Allied Sup.	Sept	727 (710)	- (-)	- (-)
RMC Group	Sept	5,390 (4,000)	1.25 (1.0)	- (-)
Coonance Group	Sept	1,010 (97)	- (-)	- (-)
Ogleby & Butler	Sept	107 (141)	- (-)	- (-)
Optometrics Corp.	Sept	125 (141)	- (-)	- (-)
Priest Benjamin	Sept	5,480 (3,280)	1.5 (1.5)	- (-)
Racal Electronics	Oct	92,900 (82,400)	0.95 (0.75)	- (-)
Racal Telecom	Oct	75,100 (60,500)	0.75 (-)	- (-)
Ross Group	Sept	220 L (150)	- (-)	- (-)
Scottish & Newcastle	Oct	87,400 (72,200)	4.42 (3.1)	- (-)
Sinara Food Group	Sept	3,500 (3,200)	2.64 (2.2)	- (-)
Smith New Court	Oct	2,000 (2,500)	- (-)	- (-)
Stewart & Wight	Sept	106 (82)	- (-)	- (-)
3I Group	Sept	133,400 (119,100)	3.3 (3.0)	- (-)
Triplex Lloyd	Sept	5,140 (2,800)	2.5 (1.75)	- (-)
Trustee Direct Hidge	Sept	2,000 (714)	4.2 (2.49)	- (-)
Watergate Int'l	Sept	3,130 (2,260)	1.95 (1.79)	- (-)
Whitcroft	Sept	7,340 (6,017)	4.5 (4.1)	- (-)
Yellowcross	Sept	150 L (911)	- (-)	- (-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net of tax on the corresponding period.
†Dividends are shown net of tax on the corresponding period.
‡Revenue before tax. § Payment for 7 months. ¶ US dollars. ** Gross revenue. *** 2nd interim dividend.

RIGHTS ISSUES

Peel Holdings, the property group controlled by John Whitaker, is expected to report pre-tax profits of about £5.5m and earnings of just over £m when it gives its interim figures to September 30 on Monday. Peel has 23 per cent of the capital value of its portfolio in retail parks and 14 per cent in town centre retail sites, so the City will be keen to hear how it is faring.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

Account type	Compound rate of return for taxpayers at			Frequency of payment	Tax (see notes)	Amount invested (£)	Withdrawal (days)
	25%	40%	45%				
CLEARING BANK*							
Deposit account	5.00	5.10	4.05	monthly	1	500-4,999	0-7
High interest cheque	7.00	7.20	5.75	monthly	1	5,000-9,999	0
High interest cheque	9.00	9.40	7.82	monthly	1	10,000-49,999	0
High interest cheque	9.20	9.60	7.88	monthly	1	50,000	0
High interest cheque	9.90	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	8.50	8.50	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.80	yearly	1	5,000	0
High interest access	9.75	9.75	7.90	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-8,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.63	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.85	yearly	2	5-100,000	1 mth
Income bonds	12.50	9.38	7.94	yearly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.50	yearly	2	100-100,000	3 mths
34th Issue†	7.50	7.50	7.50	not applic.	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applic.	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	3
MONEY MARKET ACCOUNT							
Schroder Wagg	10.96	11.53	9.22	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
Sp Treasury 1981	12.89	10.54	9.27	half yearly	4	-	0
Sp Treasury 1982	12.80	10.08	8.82	half yearly	4	-	0
10.25pc Exchequer 1985	11.17	8.547	8.97	half yearly	4	-	0
Sp Treasury 1990	12.14	11.36	10.89	half yearly	4	-	0
Sp Treasury 1982	10.27	8.44	8.84	half yearly	4	-	0
Index-linked 2p/1982	8.62	8.11	8.80	half yearly	2/4	-	0

*Lloyds Bank. † Halifax. 90-day: Immediate access for balances over £5,000. ‡ Special facility for extra £10,000. § Source: Phillips and Drew. ¶ Assumes 5.5 per cent inflation rate. † Paid after deduction of composite rate tax. ‡ Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Savers, on a small scale

THE Pennypinchers, like many children, are keen savers. A recent survey of children's savings by the Halifax Building Society found that:

- More than half of children receive money for birthdays and Christmas, and the majority decide to save all or some of it.
- On average they receive £1.20 in pocket money per week (or £1.40 in Greater London). Only 9 per cent of those questioned receive more than £2, compared with 30 per cent last year.
- The percentage of children receiving regular pocket money has decreased from 80 per cent in 1988 to 75 per cent last year, and it is spent mainly on sweets and toys.
- Children have long-term savings aspirations. Girls tend to favour holidays, while boys prefer toys: 49 per cent of those surveyed said they saved for something special such as a holiday, toys or bicycle.
- Winifreds tend to be saved rather than spend.

S.W.

THE WEEK AHEAD

Uncertainty for Berisford

EXCLUDING ANY unexpected developments, corporate activity will slow to a crawl next week. Corporate profit statements are unlikely to raise much excitement as most of the major industrial companies have already reported for the September half.

Berisford International, the sugar processing, commodities and property group, is one of the larger companies to report and is expected to announce pre-tax profits of between £10m and £11.5m, against £10.6m last time, for the year to end-September. However, considerable uncertainty over Berisford's property operations has already been reported for the September half.

At the interim stage, there was a 23 per cent fall in the pre-tax line to £36.4m. This came after exceptional items of

£14.2m which included provisions against redundancies in the dominant British Sugar subsidiary as well as property.

On Tuesday, NFC, the transport and distribution group largely owned by its employees, reports its first full-year results since going public in February. Among the moulds broken by the former National Freight Consortium over the last year has been the convention that quoted companies do not provide forecasts of their future profits. NFC has made a habit of offering a "best view" of its year-end figures and the group is looking for pre-tax profits of £88m for the 12 months to September 30. Analysts are not disputing that figure, although some think the group may exceed it by a couple of million.

The extent of the uncertainty over Berisford's property operations means the market could be in the strange position of reacting to NFC's best view of its 1989-90 final profits. Impressed by the way in which

FINANCE & THE FAMILY

Peter Berlin surveys the choice available to those who like being a member of the board
Games people play in the City

ONE OF THE great Christmas traditions is the family board game. Monopoly, the first mass-seller, took the property market as its model; this year, there are more business-based games than ever jostling for space beside the quizzes on the shelves. Some will make no more than a token appearance after the Queen's Christmas message but others are excellent and will test the most astute financial brain.

The most satisfying of the business games - indeed, the only ones that combine playing the stock market with running companies - are the 1929 railway series. The original 1929 (Hartland Trefoil £29.95) is based on the British railway-building era.

Players buy and sell shares in railway companies as they are floated and build track through companies they control. The rules governing the building are simple but the strategic possibilities are complex and the game is as much about managing a portfolio as running a railway. But it has one crushing handicap: playing it takes from six to 10 hours, which limits its appeal to the average family.

A better buy is the second version, 1930 (Avalon Hill £20.50; prices of imported games vary with the exchange rate). Both ferocious and entertaining, it captures the cut and thrust of the old US robber barons by stepping up the pace, making the stock market more volatile, and allowing far more scope for financial manoeuvre.

The most recent edition is 1983 (Hartland Trefoil £39.95). Set in India, this is a stately game with the balance tipped towards railway-building.

Earl Baron (Avalon Hill £13) is an earlier US game based on the same period as 1930. It is simpler and quicker but not nearly as good.

Schoolteacher David Watts invented an elegantly simple railway-building system for his Railway Rivals (Rostherne £7.99, additional maps £1.99) and has applied it to practically every area of the world with a railway system. It is cheap and fun.

Most of the business games take the stock market as their model. Mark Green, of Just Games, says the top seller is Stockmarket (Jordan £19.95) which is designed prettily and works on the dubi-

ous premise that the UK market is driven entirely by news and operated by insider dealers. News cards are dealt at the start of a turn so that players know part of what is coming up and can guess what other people have from the way they trade.

The pick of the stock market games is Shark (Flying Turtle £14.95) a highly abstract Belgium concoction. The system is simple but allows for plenty of skill and a lot of cut and thrust. It also keeps share price movements in a sensible range (unlike practically all the other stock market games) and ties them to the "performance" of companies (represented by coloured tiles placed by the players on a grid).

Another strong continental game, Borchenspeel (Ravensberger £20) from Germany, uses a similar card system to Stockmarket.

Insider Dealing (Fantasy £29.95) fails to deliver on its alluring title. There is little scope for skill and the high price seems explained largely by the (unnecessary) inclusion of a pocket calculator.

In Poleconomy (Spears £19.95), players vie for positions of political power which they exploit to move the stock market and enrich themselves generally. Unfortunately, for all its attractive packaging the game is little more than a gussied-up imitation of Monopoly.

Maxihourse (TSR £19.95) is quite bizarre. Players battle for famous multinationalals on a large and ugly board designed to resemble a lump of lava. This is the only stock market game in which victory can go to anyone other than the richest player, and control of companies is important.

The odd aspect is the bidding system. Share prices are determined by the volume of demand retrospectively. This leads to a peculiarly ferocious type of Dutch auction



High stakes at the table - even if it is only a game

when players try to sell shares - which can bring rapid bankruptcy. This one has brought even experienced gamers to blows.

Three US games based on the stock market show a peculiar literal-mindedness and

are obsessed with detail at the expense of feel and playability.

By far the worst is Stocks and Bonds (AH £13.50), an asinine game on an ugly and tacky board in which all share movements are determined randomly. The

whole thing is cluttered with stock splits and margin trading, which makes for a lot of note-taking.

The same applies to The Stock Market Game (AH £16.50). Share prices are determined by a mixture of die rolls and the difference between buy and sell orders.

The most interesting of the trio is Stock Market Specialist (Hansen £19.95), which is dubbed "the official game of the American Stock Exchange." Unfortunately, I have not managed to play it and nor has anyone else I know.

The problem is that the rules appear to have been written by the Amex regulatory committee. Still, it could prove excellent fun for the patient stockbroker.

The pick of the rest of the non-stock market games is Acquire (AH £20.50), a long-established US-designed affair in which players build-up competing hotel chains through coloured tiles on a board. Definitely a test of the steel nerves of any budding empire-builder.

For the would-be property developer there is, of course, Monopoly (Waddingtons £10-£12) which first brought board games into the home. It has spawned a thousand imitators.

One of them, Spec (Fantasy £25), takes residential development as its theme. Players buy different types of property and improve them to increase values. The game's mechanics fall apart when it comes to selling property - which makes Spec a realistic reflection of the real-life domestic property market.

Still, it is designed beautifully and players have 30 different packs of coloured cards with which to fiddle while they wait desperately for their properties to shift.

Business Strategy (AH £16.50) and Schoko (Schmidtspleier £24.95) are, at root, very similar games about running manufacturing industries. Players bid for raw materials, turn them into finished products and then try to sell them.

BS is American and comes with long, complex rules for tax rates, interest payments and so on involving the usual mass of paperwork. Schoko is cleaner, simpler and cleverer. And where the BS board is glum, Schoko is bright and colourful. Both games are first-rate, though, and the dry mechanics of BS do demand careful strategic planning.

McMulti (Hexagames £24.95) covers much the same ground with cheerful simplicity and provides jolly, chunky plastic drilling rigs and oil refineries.

Pit (Waddingtons £3.95) is a fast and furious card game based on the Chicago commodities trading pits. Purists prefer the US version by Parker Brothers; this has a larger pack which allows 10 players to bellow at each other simultaneously in what I'm assured is a highly accurate recreation of the open outcry system at its roviest. Perfect to clear the fog on Boxing Day.

Another card game, Dollittle & Watte (Inward Games £6.95), is based on US compensation law. It also owns a large debt to stud poker; some insist that makes it more realistic.

Ocean Trader (Clipper Games £19.95) is an entertaining family game in which players trade around the world. The Business Game (H. P. Gibson £13.95; known formerly as Mine a Million) covers similar ground.

Meanwhile, games' players around the UK are waiting eagerly for New York property tycoon Donald Trump's latest diversification. It's called Trump The Game (MB) and is due in the shops at any moment now.

*All these games are available from specialist toy shops or departments. Alternatively, Esdevium Games (155 Victoria Rd, Aldershot GU11 1JU) and Just Games, 71 Brewer St London W1R 3BF both operate mail order services. Prices given above do not include p&p.

Declaring a profit

SOME SHARES and unit trusts which I bought four and five years ago now show an increase in value of about £3,000. I would like to keep them but as I expect to be utilising my capital gains tax allowance fully in future years due to another transaction, I would like to declare the capital gain in the present tax year.

What are the Revenue's requirements for this? Do I actually have to sell and re-purchase the shares and unit trusts, incurring commission charges, or is any other procedure acceptable? I do not have a stockbroker.

Bed-and-breakfast (selling one day and buying back the following morning) is the simplest procedure and it might be the only practical solution, but it is not cheap. You must decide if the cost of b&b now is justified by the prospective saving in capital gains tax later.

In general, it is not a good

idea to b&b gains until the last month or so of the tax year in case there is an unforeseen cash takeover of one of the companies in which you hold shares; this would produce an unexpected chargeable gain. In your case, however, this might not be much of a risk.

The fundamental principle of B&B is that there must be no arrangement between the parties on Day 1 (when the sale takes place) that the purchase will take place (on Day 2). This is quite easy to arrange on the Stock Exchange, of course, especially if you use the services of an agency broker (which will not be buying the shares from you itself). It is not so simple if you are in direct communication with the other party to the transaction, say, a unit trust management company or a security dealer.

The pitfall to watch is hidden in section 66(1) of the Capital Gains Tax Act 1979, in conjunction with section 27(1) of that act and paragraph 17(1)(a) of schedule 19 to the Finance Act 1985 (bearing in mind that the word "contract" in that context is not limited to legally binding contracts).

If you are caught by section 66(1), you will merely establish an allowable loss equal to your actual overnight loss between the bed sale and the breakfast purchase (or a chargeable gain equal to your actual gain if the

prices fall substantially overnight and the total cost of the breakfast purchase is less than the net proceeds of the bed sale, of course).

Taxed on savings

REGARDING capital gains tax (CGT) on share option savings schemes, I have two which will expire shortly. One is over five years, the other over seven. Under both, the monthly payments are £50. In addition to the amounts subscribed, there is a number of months' interest bonus. If I sell my shares...

1. Is CGT payable?
 2. If so, is the bonus months' interest excluded from any taxation?
 3. How is index-linking applied over the savings period?

A free pamphlet on SAYE share option schemes is obtainable from your tax inspector's office; ask for IR38. You might also like to ask for pamphlet CGT18(1989) - The Indexation Allowance for Quoted Shares.

1. Yes.
 2. Yes.
 3. There is none, unfortunately, except on the cost of the original option (which was, presumably, very small). Indexation starts from the month in which the option is exercised, on the exercise price.

Sitting on the fence

I HAVE bought and moved into a semi-detached 90-year-old former council house. According to my deeds, I have responsibility for three of the four boundary fences: the front, back and semi-attached side. The fence on the fourth side is still owned by the council and tenanted, but the fence on this side is in a deplorable state and has not been attended-to by the council for a great many years.

I wrote to the council pointing out its responsibility, to which it replied that it did not have sufficient funds and, anyway, considered the upkeep of boundary fencing to be of low priority. I am reluctant to pay for 120ft of new fencing which won't even be mine. Is there anything I can do to force the council to undertake its legal obligations?

It is unclear whether the council is, in fact, liable to you for the upkeep of the fence. If your deeds are silent about it, the council might well escape liability. Technically, you could claim the cost of repair if there is an obligation, but we think the council might well resist from its admission of liability.

Damaged by horses

A LOCAL stud farm keeps horses in a field adjacent to the house we bought recently. The dividing fence has been damaged by the horses as they tried to reach the long grass on our side. Before I carry out repairs, what can I do to ensure that any future damage to the fence is not my responsibility. Also, whose responsibility is it to see that the

Q&A
 BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

horses do not damage the fence?

The owner of the horses will be liable for damage done by them if they stray and might also be liable if they damage your fence even though they do not stray. However, the former liability is limited to cases where there is no obligation in law for you to repair the fence. i.e. no contract or covenant between you and anyone (including the owner of the horses) imposing the obligation to fence, or maintain the fence, on you.

Valuation of property

ON THE question of reducing liability to inheritance tax, will the Revenue require an official valuation of a property upon the death of the first parent, and will the executors need a document conveying the property to a child and surviving parent as tenants in common?

Yes, the property will need to be valued at the date of death of the first to die of the tenants in common. There will be no need for a conveyance or transfer following that death.

Transfer of shares

You have said that the stamp duty exemption certificate on the back of the form for the transfer of shares must be completed correctly. There are 18 categories (A-M), although 'L' looks to be the most appropriate for a transfer of shares from husband to wife so that she can claim her new personal allowance for 1990-91.

You'll have to pay up

IN MAY, I bought a cottage as an investment. It is now being sold at a capital profit. I wish to re-invest the proceeds in another property when I find one. I have been given contradictory advice by my accountant and the local tax office. One says I am liable for capital gains tax; the other says I can get roll-over relief if I re-invest in another property. Who is right?

Unfortunately for you, the one who said you have an immediate CGT liability is correct.

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Take care over asset transfers

JUDGING FROM the recent Weekend FT postbag, many readers are confused over the tax treatment when transferring assets to their spouses to take advantage of the new system of independent taxation for married couples due to come into effect from April.

In particular, readers were worried by the replies in Briefcase on December 2 to letters headlined "A wife's freedom to spend", "Transfer of shares" and "Using full allowance." Each reply dealt with a different aspect but all had a common theme: a warning to be careful when transferring assets to a spouse.

The Inland Revenue's leaflet on Independent Taxation (IR

80): A guide for Married Couples states specifically: "If you or your husband or wife hold in your joint names a bank or building society account, or shares, or property which you rent out, or any other property which provides income, you are treated as if you owned it in equal shares and each of you pays tax on half the income."

The leaflet was, however, published in March 1989 before the Budget and does not appear to take into account the inclusion in the 1988 Finance Act (under sections 108 and 109) of new provisions concerning the transfer of assets.

Essentially, these state that when a gift, or transfer of

assets, is made by a spouse, there is no liability to capital gains tax at the time of the transfer.

But it must be established clearly that the gift is outright and that the spouse making it does not continue to receive any direct or indirect benefit. The recipient must be free to spend all the benefits without restriction.

It is difficult to prove that the recipient is the sole beneficiary when the proceeds are paid into a joint account with the original owner, who has power to withdraw funds.

Hence, our tax adviser suggests that a more cautious approach is to open a separate account, so establishing clearly

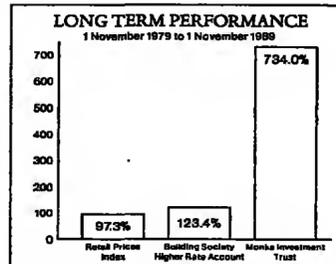
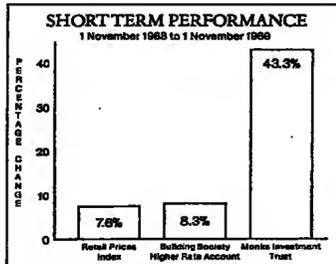
that the recipient is obtaining the sole benefit.

The intention of the new provisions are quite logical in that they aim to prevent the transfer of assets being made in name only and used as a dodge to take advantage of the coming independent taxation system. Therefore, couples with existing joint holdings of assets are unlikely to be affected and will be treated for tax purposes as if they owned equal shares.

But those planning to transfer assets, or in the process of doing so, need to take a cautious line if they are to reap the independent taxation benefits.

John Edwards

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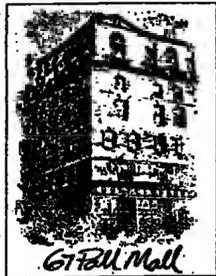
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This is a business which has grown with the motor car. In the 1940s there were only three, of very humble stature: the Bay Tree Inn at Burford, Oxfordshire, the Lygon Arms at Broadway, near Worcester, and the Sharrow Bay Hotel on Ullswater in Cumbria. When Peter Herbert joined their ranks with the purchase of Gravetye Manor, near East Grinstead, West Sussex, in 1957 (at a cost of £28,000 for the property and 30 acres on a very long lease), his friends thought he was mad — the journey from London was just too long, and its proximity to Gatwick airport of very little value then.

The actual term "country house hotel" has an equally modest origin. In 1952, when Brian Sack joined Francis Coulson at Sharrow Bay, they were too short of cash to advertise. So they put up a sign to attract passing trade — the Sharrow Bay Country House Hotel — and an industry was born.

During the 1960s and '70s it developed quickly, thanks to a much better road network and certain individuals who have developed into exceptional hoteliers. Among others, Grete Hobbs at Inverloch Castle, near Fort William, Invernesshire, Martin Skan at Chewton Glen, New Milton, Hampshire, Paul Henderson at Gidleigh Park, Chagford, Devon, and Tim Hart at Hambleton Hall, Oakham, Leicestershire, showed just what could be done with large houses that were cheap at the time.

There are now just under 200 country house hotels throughout Britain and three-quarters of today's more highly rated establishments in England alone have been opened over the past decade at a cost of

approximately £180m. According to estate agent Knight Frank and Rutley, it is estimated there are plans for another 100 hotels and/or leisure complexes on various drawing boards.

Even before interest rates went up, though, how on earth could they make money? It is certainly not a profession you should dream about if you do not like meeting people and cannot put your guests at ease. In an article in the 1986 *Good Times Guide*, Nigel Corbett — of the Summer Lodge at Evershot, Dorset — described an ideal country house hotel as one where "the customer forgets to ask for the bill because they feel they have been staying with friends, and the owner cannot mention the bill for fear of spoiling the illusion they have created."

There is, of course, the very real possibility of marital strain. Husband and wife are together not only from the initial stages of the hotel but, once operational, almost 24 hours a day. You also have to be able to look after your staff. The luxury and cosseted warmth that many customers want — an anti-stress environment, in fact — can be guaranteed only by high staff ratios.

Nicholas Lander discovers some of the charms of country house hotels — and the ingredients for successful management

What makes this even more difficult for some hotels is their *raison d'être* — their seclusion — so that finding a pool of well-trained staff close by can be difficult, and holding on to them a fine art.

May to October is the season when the top hotels are full, but any week divides itself inconveniently into the very hectic Friday evening to Sunday afternoon followed by the far more leisurely Monday to Thursday.

Once open, the proprietor wants to instil into his staff the principles of hospitality and care that led him to open the place, but this is difficult if the number of guests can vary



Paul and Kay Henderson at Gidleigh Park in Devon

from 50 to five in 24 hours! Hart says that when he opened in 1980 — as a complete novice; his background is Westminster School, Cambridge and merchant banking — motivating the staff to find their rhythm and yet meet his

somewhere to sleep. But whatever the prices on the menu, no country house hotel restaurant makes a profit time and again. I was told that if the restaurant had to stand on its own, it would not last long. Demand is inconsistent; often, they are too expensive for the local community; the staff ratio is too high; and the natural isolation of many of the hotels is a further disadvantage.

Profit lies in the bedrooms. Once built, they are cheap to maintain — but they tie up capital and, especially with the dramatic increase in building costs during the 1980s, eat up all the cash they generate. Today, the rule of thumb for a country house hotel is that a bedroom will cost £180,000 to build; thus, for a 30-bedroom hotel, you will need £5.4m.

This will provide all the public areas, dining room, kitchen etc but you will still have to buy the property. The figures tend to be much the same whether converting and existing property or building from scratch, although with the latter the price of the land must be added.

Today's leading hotels began on a much smaller financial footing when, for a variety of

reasons — notably fashion and heating costs — big houses were a gnat on the market. Chewton Glen cost £50,000 in 1963, Gidleigh Park £100,000 in 1977, Hambleton Hall £110,000 in 1979 and Homewood Park, near Bath, Avon, £125,000 as a private house of 14 bedrooms with one bathroom in 1980.

Once you have the house, you must be able to put up with the builders. During the past nine years, owner Stephen Ross has invested little short of £1m at Homewood Park via bankers, a small Business Expansion Scheme advance, and ploughing back every penny of profits. And while Hambleton Hall was renovated in one fell swoop in 1980 at a cost of £450,000, Paul Henderson has spent £300,000 on his property since February 1984.

He is the first to admit that this cannot be justified on any rational investment analysis; it's just that he and his wife would be embarrassed to be there and not offer the very best. Clipper Hotels recently paid £4.3m for Hunstrete House, near Bristol, Avon — a price that cannot be justified, either, unless you realise just



Lucknam Park country house hotel near Bath

what it would cost to build a new hotel without any reputation.

Nor are you ever likely to see the back of your builders. Chewton Glen has had the same builders on its premises for the past 12 years, continually improving in the wake of Brigitta Skan's weekly tour. Their omnipresence reveals a fundamental principle — that the continuing success of any hotel is due to the projection of the right image, and this makes creating the right impression on guests and potential guests vital. In 1985 Skan spent a mere £200,000 on a new drive, to make the approach to the hotel longer, more attractive and more rural-looking. It was not, however, something he could charge a penny more for on the room rate.

Because the hotel trade is so open — the room rate in every bedroom is an every man — there has been extraordinary, if friendly, competition to offer the customer just that little bit more. Initially there was very little. In the 1960s, for example, few hotel rooms in the UK had their own bathrooms. It was the hoteliers themselves who raised the standards after going to see the competition on the continent. They came back depressed at the gulf between what was on offer there and here in the UK and convinced that they could never catch up, but they have now done so, it is this policy of offering the customer even more which has led to the rise of prices; in 1987 a single room with breakfast at Gravetye cost £2 — today there would be little change from £100.

Once standards were raised and there were more bedrooms to fill, the actual marketing of the hotels, and of the UK became important. Today the

industry owes a great deal to the efforts of Douglas Barrington, Julian Payne and Martin Skan, who spent a large part of the 1970s spreading the good word in the US. Good reviews in *Government and the New York Times* pushed Gidleigh Park above break-even in 1981; reviews in *Gourmet and Travel and Leisure* took Hambleton to that point in 1983 and today 20 per cent of their customers come from across the Atlantic. Now that the dollar has weakened against sterling the emphasis is on the domestic market and the rest of Europe. According to Martin Skan, marketer *par excellence*, there is a fundamental difference between American and English guests: while the former do not come back they do tell all their friends, the latter come back but tell no one.

There are many attractions to the life of a country house hotelier. Any interest in food, wine, decor, travel or simply meeting people will quickly be repaid. This accounts for the wide variety of backgrounds from which today's hoteliers come — Henderson ex-McKenzie, Payton from Chicago, Herbert from the Royal College of Music, and Skan, who sold his shares in Cavenham Foods because he did not believe in 1986 that his than MD, Sir James Goldsmith, would succeed.

Whatever the rewards the stakes have become very much higher. It is unlikely that small hotels of 10 to 15 bedrooms will any longer provide the revenue to cover running costs and repayments. To add just four new bedrooms to the existing 14 Gravetye Manor is for the first time borrowing £1.2m. Yet even with its reputation and one of the highest occupancy rates in the country, Herbert is not very happy about the tim-

ing of this investment in view of the prevailing economic climate.

Larger hotels of say 30 to 50 bedrooms, although they will provide the revenue, will need far more capital and management. Marketing during the quiet period, November to April, will be crucial and will necessitate opening the hotel for conference purposes, Monday to Thursday most weeks. This will mean the provision of expensive leisure facilities — swimming pools, tennis courts, golf courses — which have to be fully operational and staffed but which the customer may choose not to use. Lucknam Park, near Bath, which cost £2m and took the unlikely combination of Credit Lyonnais, the Australian bank, and Spreyhawk, the property group, to get off the ground, spent £750,000 on its leisure complex (although it has managed to finance that through 400 local members).

Still interested in running a country house hotel? First, find the right property in a beautiful, unspoilt area but close enough to a conurbation that will provide not only staff but also enough diners to fill the restaurant in the quiet winter months. Then you will need enough money to see the project through its inception and its first years of trading losses (the early country house hotels experienced losses for three years, on average, but could not afford to close — they had to wait for higher interest charges).

You will also need patience, luck and most of all vision. In the words of Robin Buchanan-Smith, proprietor since 1978 of the Isle of Ebury Hotel on the west coast of Scotland: "If we didn't have a dream it would not be worth going on — and I suspect that we still have 10 to 15 years to go..."

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TRAVEL

It's a matter of grooming, or not, as the case may be

Arnold Wilson welcomes the challenge of Vail's ski bowls

THE MOST precious asset belonging to the US ski resort of Vail, in Colorado, is its world-famous back bowls, which are now all linked. For the minimalist, a bowl viewed from space would look like a cross perhaps a mile across and preferably filled with fresh snow. Vail has seven of them, far more than its fair share.

spring chicken, the only saving grace was that this time we were skiing with a delightful young instructor and former racer. When we awoke it was to find that 2 ft of fresh powder had obligingly carpeted the bowls. It was a cold, crisp day. The sky was cloudless and the snow sparkled splendidly.



Whoa! Take it easy on that slope, partner

Basin (all available on one lift pass) is 35 miles away with the closest of the four, Copper, only 19 miles. In the other direction, Aspen is well worth a visit although it is 100 miles distant.

is reputedly the most difficult run in the resort. I found its neighbour, Devil's Crotch, a touch nastier. Peak 10, opened in 1985, has only 2 per cent of trails suitable for beginners.

If it's free it's just not my cup of tea

ALMOST never go on freebies. I am sometimes given air tickets, or offered two free nights in the Nancy Reagan Suite in this or that hotel. But those are just facilities - things that people offer me to help with my work.

Freebies are something different. In their commonest form they are Press junkets ("Press trips") organised by public relations specialists to puff a product, plan or service.

holiday products from Sol Holidays, the products concerned representing the first summer programmes to be launched in the UK by the "new" Sol since its acquisition earlier this year by International Leisure Group.



Travels with Michael Thompson-Noel

than that Munich is served by Air Europe, owned, like Sol, by I.L.G. What was it in aid of? The purpose of the visit was to puff Sol's attempt in 1990 to move a bit up market with two programmes of "quality holidays

COUNTRY PROPERTY advertisement for Hardstoft Grange, featuring a large house and surrounding grounds.

INTERNATIONAL PROPERTY advertisement for DREAM-VILLA COTE D'AZUR, located near Monaco.

INTERNATIONAL PROPERTY advertisement for A COTE D'AZUR IN THE ALPS, featuring ski resorts.

Real estate advertisement for Val d'Isère Village, describing it as the ultimate privilege with superb apartments.

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GREENWICH advertisement for a double-fronted Georgian house overlooking Park.

UK advertisement for ASTON COURT HOTEL, a newly refurbished central London location.

Kentwith Castle Hotel advertisement, offering a country hotel set on an estate.

ITALY advertisement for TUSCANY, offering holiday cottages and castles.

FLIGHTS advertisement for SWITZERLAND, offering round-trip fares from £74.

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SKI AUSTRIA advertisement for a superb high altitude resort.

VACANCES CUISINE'S WINTER TREAT advertisement for a travel week in the South of France.

BOOKS

THE PLACES which great writers once inhabited become shrines after they are dead. Keats has his cottage in Hampstead; the Brontës their parsonage at Haworth; and James Thurber has his house in Columbus, Ohio, where he lived with his family when he was a college student, from 1913 to 1917.

The literary director of the Thurber House, now an American Writers' Center, is Michael Rosen who has put together this new volume of pieces by Thurber, *Collecting Himself*, none of which has appeared in book form before. They cover a variety of Thurber's most passionate concerns, the craft of writing, particularly humorous writing, the handling of dialogue in the theatre, skills in drawing, and examples of that peculiar form of homage to a fellow author which takes the form of a sustained parody of his prose.

By the time he lived in the Columbus house, Thurber had already suffered the childhood accident that blinded him in one eye, but which did not prevent him later on from taking up journalism for his career. As Thurber grew more and more eminent both as a writer and a public character, his eyesight steadily deteriorated. Rosen, like his visitors, who remember Thurber's fortitude in continuing to draw, with white chalk on black paper, while suffering from great impairment, "ask to try on his Zeiss loop, that headband of magnifying lenses Thurber wore to accomplish his last drawings. Not normally part of the tour, the loop creates a frightening topography of the wrinkles and hairs on a hand held five inches from his lenses. . . . They want to sniff the cologne in the monogrammed bottle from Danhill's, open Thurber's leather briefcase, decipher a framed canary page of Thurber's various, barely legible script. . . . The boldest visitors will tentatively depress the space-bar on the Underwood #5 typewriter on which Thurber composed many of the stories and casuals for *The New Yorker*."

These holy relics of the great man testify to a way of life, that of middle-class America in the inter-war years, which was so enjoyably embodied in his best work. The marital stalemates

Feeling for the funny bone

Anthony Curtis on the charms of Thurber



Thurber's sketches of Chico, Groucho and Harpo

JAMES THURBER: COLLECTING HIMSELF edited by Michael Rosen Hamish Hamilton £14.95, 263 pages

and wishful yearnings of a whole generation of clean-living, right-thinking white executive American males, who had reached the menopausal point of no return, were set down in line and word with beautiful accuracy and deftness. Stories like "The Secret Life of Walter Mitty," "The Macbeth Murder Mystery" and "Mr Prebble Gets Rid of His Wife" are peerless gems of humorous writing that still retain their pristine sparkle.

with just the right amount of abrasive emery-paper tone of exasperation by Ed Asner? There is nothing as good in this new volume which cannot escape the charge of barrel-scaping. However, it pleasantly revives the humane, male-oriented Thurber voices well enough, mainly in defence of a critical outlook that had been tempered and sharpened during the years with Ross. Nor was it only Ross who made Thurber think about the construction of his sentences. Roald Dahl, who also served his apprenticeship as a short-story writer in *The New Yorker*, paid tribute publicly the other day to Gustave Lohrano, the fiction editor, at whose feet the

likes of Thurber, Benchley and Perelman would sit and suffer judicious cuts in their material. Lohrano re-appears here among further indications of the magazine's self-imposed code in "The Theory and Practice of Criticizing the Criticism of the Editing of New Yorker Articles (With a Lighted Candle for Wolcott Gibbs)." And the volume reveals how elegantly Thurber could turn his hand to a book review in a piece on Scott Fitzgerald's *The Last Tycoon*, and even once deliver a display of controlled indignation in a notice of Anne Morrow Lindbergh's *If You Ask Me*.

In a more reminiscent vein he discussed Julius (Groucho) Marx's *Groucho and Me* which is enhanced by his drawing of all three Marx brothers. Thurber also attended all nine of Coward's short plays that made up *Tonight at 8.30* with Gertrude Lawrence and Coward himself playing the main roles. "His right words," Thurber writes, "for those who have been long in love, or marriage, and for those who have just fallen into love or marriage, have, at their best a precision that moves towards the absolute."

But Thurber's best criticism here consists of his parodies where he gets inside the skin of another writer as completely as he does one of the henpecked husbands of his fables. His version of a Henry James foreword in *The Preface to The End of the World* is almost in the same league as Beerholm's definitive James parody, "The Mote in the Middle Distance." . . . I was instantly and with the greatest of sharpness confronted with the evoked figure of the poor dear lady with whose predicament my boss's of a long lost afternoon has been so prettily and intensely concerned as to cry out, in my fortunate hearing, "Ah, but doesn't every husband, upon being asked by his wife to bring her a facial tissue, return after a moment with a clump of at least fifteen or twenty?" And he is just as wickedy adroit as this with Hemingway. Thurber's world has vanished; his attitudes and his outlook were of their time; but his high degree of professionalism remains an example for us all.



Edith Olivier: no party was complete without her

Bright Young Thing who survived

Jane Abdy on a woman with a flair for friends

MISS EDITH OLIVIER lived in a charming, small Gothic house at Wilton in Wiltshire, where her father had formerly been rector of the parish. Her many friends, who included Cecil Beaton, Siegfried Sassoon, and other luminaries, all regarded her as a remarkable woman.

EDITH OLIVIER: FROM HER JOURNAL 1924-1948 edited by Penelope Middelboe Weidenfeld & Nicolson £19.95, 334 pages

As an undergraduate at Oxford, Lewis Carroll was so smitten with her that she was permitted to dine *à la table* with him in his rooms at Christ Church, at a time when it was unheard of for a girl to be unchaperoned. To a considerable intelligence she added social gifts of enthusiasm and zest, and according to Stephen Tennant, she "galvanised" talent in others, and was regarded by many of the Bright Young Things as their Egeria.

Waugh, the Sitwells, et al. Although 30 years older than this group, Edith was at once loved by them, and no party was complete without her. This is definitely a book for addicts, and contributes many good anecdotes to swell a Bright Young Things industry. The drama of Oscar Wilde had, said Conrad Russell, killed aestheticism at Oxford for several generations. After the Great War it returned merely, with an excess of gilt, baroque cupids, pink satin cushions and painted human faces as bizarre as Beardsley. Artifice and *trompe l'oeil* were the rage; "laughter is an art," said Brian Howard of Rex Whistler.

entertained and unshocked; Brian Howard was to describe her as "highly principled in abandon." Despite Edith's charms and fine good looks (recorded in photographs by Cecil Beaton), she never married; she and her sister, in the Victorian tradition of sacrifice, decided to remain unwed to devote their lives in caring for their widowed father. At 54, Edith fell wholly in love with Rex Whistler, aged 18. He regarded her as an adored confidante and aunt; illustrated her novels; took her on jolly outings, and his lively and constant affection continued until his death in battle in 1914.

This present book is not a life of Edith Olivier; it begins when she is 54, living alone, and desolated by the death of her sister, so close to her that their relationship can be compared to that of Cassandra and Jane Austen. In the lively social milieu of Wilton, those who comforted her included Lady Julia Duff, Lady Grey (formerly Pamela Wigham of Clonville), and her beautiful deprived son, Stephen. Through Stephen, she was whirled into the set of Brian Howard, Rex Whistler, Evelyn

The reveals of this group were recorded by Edith in her journal. Cecil Beaton wearing a coat decorated with hard-boiled eggs, a naked man appearing at a party clad only in grey paint, and Stephen Tennant strutting roses on the floor, like Helio Galenus. Edith was

I presume that the author is very young, as she is described with some originality by her publishers as Edith Olivier's great, great niece, and she is probably not aware that some verbal fishermen might choose people still alive.

Life of a history man

MARC BLOCH was one of those rare historians whose influence was seminal. No one more so in our time. Fundamentally he was an economic historian and a medievalist. But what was characteristic of him was his living conception of history as the key to our understanding of our story. Hence his widespread interests in sociology, geography, the "King of Evil" (scruff), and literature. An historian who even wrote poetry, he made everything that he touched live.

MARC BLOCH: A Life in History by Carole Fink Cambridge UP, £25.00, 371 pages

kingdom and serfdom, the nature of early rural society and feudalism. Then he wrote an original book, *Les Rois Mages*, on the royal processions in the region of the "King of Evil" (scruff). We remember that Queen Anne was the last who performed the rite, and that she "touched" Dr Johnson as a boy. It did him no good, but it confirmed his Jacobite

sympathies. Bloch's masterpiece was his big book on Feudal Society as a whole, but less important was his founding, with Febvre, the historical journal *Annales*, which inspired a whole school of French historians. Its main inflexion was again economic history, but treated sociologically, for the light it throws on society, not only in the past but current problems. Thus it was challenging and polemical; Bloch took on everybody and was interested in everything, even the history of money.



Marc Bloch: made everything he touched live

Western front like 1914-18. Under German inspiration, the wicked madness of anti-semitism swept like the plague over Europe. The philosopher Butler, who had a good understanding of psychology, wondered in the 18th century whether there was not such a phenomenon as Collective Insanity, like that liable to afflict individuals. He was borne out by what happened in the French Revolution. Bloch himself was interested in popular delusions, superstitions, false intelligence, panics. Himself the most rational of men, he eventually became the victim of the mania of anti-semitism. What is wonderful about him is that, in all the nightmare of terror, he never gave up hope, but planned for a new reformed France when the German nightmare was over. Once more, though in his

fifties, he fought for it, joining the Resistance and bringing to it his notable organising skills throughout his whole area. This came on years, to which came the infamous Klaus Barbie to direct a final round-up, while Germany was already well on the way to defeat. In a final shooting in the summer of 1944, 713 prisoners were killed in that department alone, among them this brilliant and original mind among historians. One can hardly begin to think of his being tortured, then shot. This American book tells the story of his life and work, dispassionately and reliably. It is not written in better English, and it has too many unnecessary footnotes in the American academic manner. Otherwise readable.

A.L. Rowse

DECEMBER BOOKS

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INSPECTOR GHOTE: HIS LIFE AND CRIMES by H.R.F. Keating. Hutchinson £11.95, 183 pages

Crime Sharply pointed vignettes

IT IS hard to believe that Keating's unassuming, endearing Inspector Ghote has been with us for a quarter-century, perceptively and successfully struggling with arrogant criminals, overweening superiors, and Bombay traffic. To celebrate this anniversary, Hutchinson presents a collection, *Inspector Ghote: His Life and Crimes*, of Ghote's briefer appearances, introduced by the author's charming reminiscing foreword.

Some of the stories are very short, no more than vignettes (but always sharply pointed, wasting no words); others are of novella length, giving Keating time to portray, wryly and pitifully, a specific setting: advertising office, police headquarters, a Goa resort. But like some other eminent writers in the genre (Julian Symons, for one), H.R.F. Keating not only creates crime novels, he also thinks about them. He has published various critical works, anthologies, and now he offers a *Beside Companion*, which is indeed a companion, not a strict or best-selling guide. It is a splendid patchwork, amiably digressing in whatever direction attracts the alert author's attention. And if the reader shares Keating's

interest in fictional crime, he will eagerly follow those several paths. Only rarely do they lead down mean streets; though Keating's tastes are clearly catholic, you cannot help suspecting that his personal preference is for the vicarage or the library or the Calais coach. And, like every true aficionado, he admires a hermetically-sealed room. These are some of the aspects of crime writing that he deals with in this series of short chapters, one of which is a delightful little anthology of seven poems on the subject, including Auden's haunting "Detective" story. The illustrations - mostly dust-jackets from the past or portraits of admired writers - are an added attraction.

William Weaver

In the footsteps of Strachey

A.N. WILSON'S book sets up a symbiotic relationship with Lytton Strachey's *Eminent Victorians*. Originally, he tells us, he intended a counterblast, a claim that the great Victorians really were eminent and did not need to be ironically and elegantly debunked.

This aim remained, but as he worked, his admiration for Strachey revived, and along with it, it would appear, a growing conviction that we can never recover Victorian values or attitudes, and that "the world changed deeply, fundamentally, at the time of the First World War, leaving the Victorians to seem as obsolete as the dinosaurs." So the book has two subjects: the six men and women depicted, and what we, as late 20th century people, are able, even driven, to feel about them.

Many readers of the book will find that it goes with it, and to compare the two is to learn a good deal about the two media - in particular, how gimmicky television is, with its restless insistence on showing us a new image every two seconds. But it can work by juxtaposition with vivid immediacy, setting past and present against each other, and Wilson himself exploited the contrast by appearing in the role of earnest seeker after authentic history, watching old magic lantern pictures, questioning descendants of his subjects, sometimes soberly dressed like a latter-day Victorian, sometimes more casual as he mingled

EMINENT VICTORIANS by A.N. Wilson BBC Books £15.00, 240 pages

with the tourists at Haworth. Juxtaposition cannot be so immediate in the printed text, and Wilson's own comments inevitably become more explicit most interestingly in the chapter on Newman, with whom, he tells us, he was almost in love in his late teens and whose prose can still give him goosebumps; but now, ruefully examining his intellectual distance, the impossibility of caring any longer about the Arian heresy or the shared bishopric of Jerusalem, he finds that Newman seems to have joined the dinosaurs.

Like all good biographers, Wilson likes his subjects with a liking that takes subtly different forms as he moves from one to another. His affection for Julia Cameron is casual, little more than amusement at her eccentricities, and indeed she herself does not matter much in a chapter that is largely about the growth and impact of photography. Newman he regards with awe, Gladstone with level-headed admiration, Prince Albert with a certain unease. It may well be true, as Wilson claims, that Albert founded the modern middle-class monarchy almost by accident; but he also finds Albert's public virtues and his family happiness rather disturbingly undimmed by his rages, his tooth-

aches, his almost Pecksniffian indignation at his son's sexual adventures.

The most enthusiastic portrait is that of Josephine Butler, for whom he feels unqualified admiration - as who does not, for this brave, passionate, loving woman. Yet his endorsement of her feminism and his admiration for her spirited defence of prostitutes does lead to a one-sided presentation of the controversy about the Contagious Diseases Acts.

True, it was an issue of civil rights, and Josephine's defence of the prostitutes was splendid; but it was also an issue of public health, and she does not seem to have thought so much about that. Nor was all medical opinion as smug and callous as the egregious Dr Preston of Plymouth. I wish Wilson had quoted, along with his coarse remarks, the more thoughtful discussion of William Acton. Also, that he had explored some of the contrasts with prostitution and public health today. Good as this chapter is, it is full of missed opportuni-

ties. Another disappointment is the treatment of Victorian literature. Wilson is right to claim that all his eminent Victorians were in some sense at odds with the age, but he does not manage to convey this impression when it comes to literature. Tennyson is the only poet who gets any real attention, and it is not an attention that looks hard at the poetry. And *Jane Eyre* is the only novel discussed; in my view it is not even Charlotte Brontë's best novel, and Charlotte Brontë is not nearly as fine a novelist as George Eliot.

But to return to "why not George Eliot?" would be the beginning of an endless series of why not's: Wilson is right to claim that his list, though not comprehensive, is not arbitrary; and however much we may complain that he leaves some issues unexplored, that can be seen as a tribute to the expectations raised by the book.

Laurence Lerner

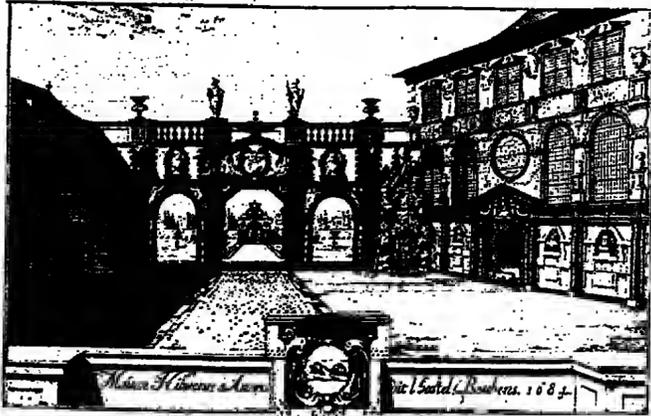
PALESTINE AND ISRAEL The Uprising and Beyond David Mc Dowell. The book is a masterpiece; by far the most penetrating and comprehensive analysis of the Palestinian problem I have read. Edward Mortimer, (Financial Times) London NW1 8AA Tel: 01-483 2881. Published by LB, Tavris & Co, 110 Gloucester Avenue, London NW1 8AA Tel: 01-483 2881. £14.95 Harback 336 pages ISBN 1 85043 191 0

DIVERSIONS

Fishing

A dry fly classic rises again

Tom Fort casts an eye over some worthy piscatorial publications



The Rubens house in 1684 - studio on the right, main house on the left

The Genius of the Place

At home with Rubens

IT OUGHT to have faded since the 17th century, but a singular whiff of prosperity still occupies the centre of the city of Antwerp - at least it does in the cafes along the Keyser Lei, where noisy packs of mink coats refresh themselves at troughs of cake and beer.

thing in Italy at the time. The Rubens House embodies a dual temperament: as its owner apparently had no difficulty in combining his Calvinist upbringing with his eventual status as a pillar of the Catholic restoration of Belgium, so his precincts engage on equal terms the solid Flemish and the twinkling Italian.

Nigel Spivey visits the house of Antwerp's most cherished son

node his horse along the ramparts of the city. The tincture of Italy upon his life turned it into a golden age, but not sensuous, which is why the ladies of his paintings, now a by-word for substance and excess, are really glorious if we consider them rightly. All contain the glimpse of a goddess, and you do not see a goddess without wanting to squelch as a weight-watching course.

painting he had the works of these read to him, and at the same time dictated his own correspondence.

He was a busy man. We know that much of the painting of his great canvases was delegated to apprentices, but even so his output remains prodigious. We have become accustomed to think of artists as subversives, so it surprises us to learn that Rubens was in his time as successful a diplomat as he was as an artist: a man possessed of great personal charm, and something of a polyglot, his services were exploited by most of the Catholic monarchs of Europe.

He is painted in Italian as a *galantuomo*, and in English with a most lovely little "Prince of painters." His works were popular in England (the Duke of Buckingham purchased 30-odd), but when he was knighted in 1630 by Charles I, it was in his capacity as peace-maker. Negotiations between England and Spain at that time were delicate and tedious; the letters of Rubens, which are immediately intriguing for the manner in which he conflates Italian with Latin, leave us in no doubt as to the extent to which politics touched his life.

The first wife died and he married again: eventually he retired and sought out the country, where, though oppressed by gout, he produced a series of contemplative landscapes that indicate no withering of his power with the brush. He died in 1680. His house in Antwerp was occupied by William Cavendish, Duke of Newcastle, who was on the run from Cromwell. Cavendish died what comes naturally to expatriate English aristocrats: he set up a riding-school in the mini-Versailles that was Rubens' garden. The house itself only came into the possession of the burghers of Antwerp in 1937, and was opened as a museum in 1946. It deserves an excursion. Fuel yourselves with Belgian beef-steak and chocolates and go forth with an open mind unto the glories of the amply-endowed female form.

MY CHRISTMAS medal for noble and selfless service to that most literate and sensitive section of the book-buying public - I mean, of course, fishermen - goes to E.F. and G. Witherby. They have done themselves, and us, proud by republishing two classics, both of which have, for far too long, been available only from dealers at prices to make the most dedicated collector wince.

The more important is F.M. Halford's *Dry Fly Fishing in Theory and Practice*. This first appeared 100 years ago and was the trumpet call which announced that a new age in fly fishing had dawned. Although the science of the dry fly was by then established, Halford codified it and made it not so much respectable as essential.

excellent introduction, the book is largely free of the left-footed snobbery about the dry fly's supposed superiority over all other methods which disgraced Halford's later works.

Anyone seriously interested in the development of trout fishing should include it in their collection. Although the price, £25, may seem a bit steep, the book is elegantly and expensively produced - and it is worth bearing in mind that a dog-eared copy of an early edition will set you back four times as much.

The other book from Witherby's is something of an oddity, but one to be treasured. *Drop Me A Line* is a collection of letters between the late master angler Richard Walker and his friend Maurice Ingham. They were written between 1920 and 1930 and are concerned mainly with fishing for carp, then regarded as virtually uncatchable. How remote that era seems.



They fished with bread and worms and potatoes; now the dedicated carp man uses nothing but high-protein baits as complex in constitution as a fish at Le Gavroche. In those days, a 10-pounder was a big fish; a 15-pounder a giant. Now fish of 30 pounds upwards are commonplace. The epistolary form contributes to the quaintness of the book, its period charm. But it is also packed with wisdom and humour, and at £12.95 seems good value.

I am somewhat reluctant to say what I think about David Profumo's *In Praise Of Trout* because I have always greatly enjoyed his fishing pieces in the Daily Telegraph and because I am sure he is, to use the saying he quotes from Thomas Cogan, sound as a trout. But I have to admit that it was an effort to read the book... and it felt as if it had been an effort to write it.

Its failing is that there is far too much familiar information about the history and habits of the trout and far too little of David Profumo and the joy he so transparently takes in his fishing. Not did I think that the paintings by Alan James Robinson were worthy of the large spaces devoted to them. One unfortunate result is that the book, although very short, is too unwieldy to be read comfortably in bed. For the trout fisherman who wants to put in some serious

study these long evenings, I can recommend John Roberts' *A Guide To River Trout Flies* (Crosswood, £17.50). Roberts is a tireless educator of the ignorant - (only a year ago my nose was buried in his *To Rise A Trout*). The new book is a sober, clear and comprehensive companion to its predecessor and the photographs are first rate. If I thought I had it in me to become an expert fly fisherman, which I don't, I would choose Roberts as my guide.

I had intended to end with further mention of David Street's *Fishing In Wild Places*, about which I made enthusiastic noises earlier in this year. However, I bear that misfortune has overtaken the publishers and that the book is out of print and likely to remain so. It is to be hoped that some company will first rescue Street's classic and, second, persuade him to write a successor.

Planet Earth

Dolphin dilemma



Dolphins pack in the crowds with their acrobatic performances at Sea World, Florida.

animals feeding in groups, in the marine parks they suffer from deprivation of space, company and conditions.

There have been many comparisons made about what it must be like to be a dolphin transported suddenly into an environment such as Brighton's Dolphinarium: the one about asking a man to live his entire life in a furniture van is probably as pertinent as any. Small wonders when faced with such sensory deprivation, that these animals don't live out their full lives.

This issue of conditions was at the centre of a government report which looked at the whole question of UK dolphinariums. Not surprisingly, it found that standards were unsatisfactory and laid down minimum criteria which must be met by 1993. Critics were disappointed that the report did not go further, and saw it as a let-off for the owners.

This is not an industry unable to defend its own record. The marketing men point to the vast numbers of people who watch their shows and the fact that during every

one, they push out a conservation message explaining the importance of looking after the marine environment.

The industry's weakness lies in its inability to answer satisfactorily the question of dolphin health and, especially, that of the captive-reared dolphins. Could it be that they have been designed with the demands of entertainment in mind rather than the well-being of their star performers? You need only to look at the publicity material to have your suspicions confirmed: "See the dolphins retrieving fish from the presenters' mouths" (Brighton); "Giggle with delight... watch the dolphins leap into stardom" (Sea World, Florida).

The problem for dolphinariums (and, indeed, all zoos) is that the vast majority of their customers find the quality of the ice cream to be as important as the display (good or otherwise) of the live exhibits. Instead of providing valuable education, they endorse the unfortunate message that nature is, like so much else in the consumer

society, something that can be packaged to provide a cheap sensation.

The British are not the only offenders; it is an international issue. Take, for example, the recent export of the orca in Iceland where two orcas (the largest in the dolphin family) were kept waiting for more than six months in a holding pool quite unsuitable for their size, and in water so dirty that it was described as a breeding ground for bacteria and disease. Or the two dolphins which were rescued from a hotel swimming pool in Cairo where they were suffering from severe malnutrition. The cause of such suffering can only be put down to greed and the mechanics of profit. A bottlenose dolphin (the most common captive) has an asking price up to \$50,000 (£31,250), while the orca is valued at between \$50,000 and \$1m.

Such examples do nothing to dampen the passions of those who are intent on trying to develop a programme to release captive dolphins back into the wild. Dolphinarium scorn such attempts, believing

them to be impossible. How do you know if you don't try? counter the environmentalists.

Yet, there is another possibility that might, in the end, keep both parties happy. Zoo Check, for example, promotes concerns (such as the Otter Trust) which start with the animals in their own environment and build the experience around them. (The Otter Trust attracts 100,000 people a year to ventures in rural Britain, nearly a tenth as many as London Zoo). Could this perhaps work for wild dolphins, too, in one of the few places where they are still resident off the British coast - at Cardigan Bay or the Moray Firth, for instance?

Cardigan points to the Epcot Centre in Orlando, Florida, where an oceanarium is being built which almost lives up to its name. It contains more than 6m gallons of fresh water treated without chemicals and it is home for schools of fish and eel as well as live coral. More importantly, the dolphins there are not required to perform tricks. (By comparison, Britain's Windsor Safari Park contains just 500,000 gallons, is split into a number of pools, and has none of the variety which Cardigan believes is so vital).

Yet, despite such trail-blazing endeavours, the future for captive dolphins in Britain looks bleak. Some marine park managers say they will make improvements to meet the government standards, but their records suggest that they will do no more than the bare minimum. Until they develop a more active policy, they will continue to be a justifiable focus for environmental protest and animal rights campaigns.

The Dolphin Circle, 35 Aldridge Road, Wiltshire, London W11; The Whale and Dolphin Conservation Society, 20 West Lea Road, Bath, Avon.

Tony Landale

The gift of freedom

Paul Abrahams on ways to help the 'new revolution'

THE BREAK-UP of the Soviet empire in Eastern Europe is taking place on such a vast historical scale that it seems almost impertinent to ask how ordinary citizens in the West might help the process.

But many would like to do something, even in a small way, to help the cause of freedom: as the Iron Curtain lifts and sends the most immediate need of the Eastern European countries is hard currency with which to conduct their economies, and apart from the direct aid now being discussed by the industrial nations, the best hope is that Western consumers will buy more goods from the Eastern Bloc, but what like to do something, even in a small way, to help the cause of freedom: as the Iron Curtain lifts and sends the most immediate need of the Eastern European countries is hard currency with which to conduct their economies, and apart from the direct aid now being discussed by the industrial nations, the best hope is that Western consumers will buy more goods from the Eastern Bloc, but what like to do something, even in a small way, to help the cause of freedom: as the Iron Curtain lifts and sends the most immediate need of the Eastern European countries is hard currency with which to 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FOOD AND WINE

If you really can't stand the heat...

... don't be a porter, says Nicholas Lander

FEW JOBS can offer the prospect of promotion to lavatory attendant. That, however, was the carrot waved in front of George Orwell when he became a "plongeur" in the Hotel X, Paris, in the late 1920s. Orwell did not stay long enough to find out which job was better, but his account of his time as a kitchen porter in *Down and Out in Paris and London* is still accurate.

A kitchen porter's position and importance have hardly changed. "KPs" are a vital ingredient in the functioning of any successful kitchen but, because their work is largely unskilled, they can be easily overlooked. Because they work so closely with the chefs their working conditions are the same, if not worse - the heat, the lack of daylight and fresh air and, more particularly, either standing in or keeping their hands in water for large parts of the day and night.

Kitchen porters provide the chefs' and the kitchen's support systems. They also provide a major management problem. Because washing-up is a universal practice, kitchen porters in any large restaurant or hotel can constitute their own United Nations, a situation aggravated by the fact that they are often students working away from their native country to learn a language. This can mean that the only way to explain any job, and to get it done in time, is to do it yourself. My worst experience as a restaurateur was trying to get two porters from West Africa to work together; they came from no more than 200 miles apart in Africa, but had no common language.

There is also the problem of security. When kitchen wages really were abominable, pilfering was considered by both sides to be a natural way of adjusting the balance. Orwell was paid 30 old francs a day by the doorman, who frisked him on the way out. Today, in London, an experienced kitchen porter can expect to earn £4 an hour plus meals and to hold the trust of his head chef. Many kitchens are at the mercy of their porters, particularly if two join forces and start passing fillets of beef to each other in the used rubbish sacks. If that happens today, it is as much a sign of poor management as dishonesty on the part of kitchen porters.

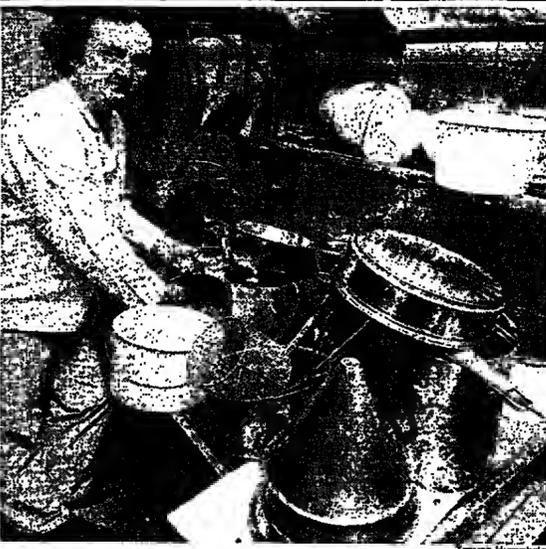
Many chefs recognise this interdependence and truly value their kitchen porters, ensuring their loyalty. Tony Mackintosh, at the Groucho Club in London, who has worked for him at his three previous restaurants. Martyn Robertson has been at L'Escargot for seven years and is now in charge of five other porters. Michel Roux believes that you cannot be a great chef without understanding your kitchen porters.

To give full support to a very busy kitchen there will be a rota of porters from 9 am, or even earlier in the hotels, to 2.30 am the following morning. They will work an eight-hour shift. A porter's normal morning welcome will be a sink full of dirty pots and pans. These will have emanated from the chefs who have started work earlier - often the pastry and vegetable chefs - and will be his first and most important job as the pans are in limited supply and will soon be wanted by all the other chefs. The sink for the pots and pans will never be empty as the chefs prepare for lunch.

There are, however, other tasks. All the food and wine deliveries should come in between 9 am and 11 am and the porters must check everything in and put it all away correctly; the dishwashing machine must be filled ready for lunch; the chefs' breakfast, usually a fry-up, is cooked at about 10 am; the floor will be cleaned at least twice in the morning. And attention has to be paid to anyone who shouts "Bin change".

At around 11 am, as some routine is established, a kitchen porter may have the luxury of a short trip outside, to a local store or market to fill a missing delivery. He'd better be quick as, with lunch approaching, there is now more to look after than just the kitchen. As the restaurant wakes up with the porters of the waiting staff, they must be sent all the necessary clean crockery and cutlery, the service stations must be filled and the plate warmers and plate covers cleaned and checked. Just before lunch the floor will be cleaned for the third time.

The lunch service is often relatively quiet for the porters enabling at least one of them to eat lunch. Soon, however, the dirty crockery and cutlery starts arriving. As restaurants have begun to impress with their plate set-



Martyn Robertson of L'Escargot up to his arms in pots and pans

tings, they ask more and more of their porters, particularly as the price of chinaware rises.

Today, a large oval bone china dinner plate costs £10; if a porter drops a tray of these, crash go the restaurant's profits for the day. The settings are also numerous, comprising on average 10 pieces of crockery per person, 10 pieces of cutlery and at least three glasses. All of these must be cleaned twice, after lunch and dinner. It is no wonder that the lunch service which starts at 1 pm can finish for the porters at 6 pm when all the cutlery is finally sent back to the restaurant.

The two major changes in a porter's role since Orwell's time have been in hygiene and the amount of culinary equipment in the kitchen. Orwell could not get over the difference between the filth of the kitchen and the splendour of the hotel's dining rooms, but today's kitchens are conspicuously clean - at least if the chefs want them to be and the kitchen porters do their jobs. Although machines have taken some of the awful drudgery out of the porters' jobs they have added to the noise and heat. They also require extra skills, and

a good KP will also be a good odd job man, able to fix a light fitting in the restaurant or a leaking dishwasher.

The chefs eat lunch while the kitchen is cleaned thoroughly. Tradition dictates that the chefs clean their own equipment, knives and stoves, and the porters are responsible for everything else. Once this is over it is back to the pots and pans as the kitchen gets ready for the evening service. The rubbish has to be collected and put out for the late afternoon collection - numerous heavy, wet rubbish sacks and many more used fruit and vegetable boxes - a process repeated at midnight.

Orwell believed that every kitchen porter wanted to be called a *débrouillard* - a man who is told to do the impossible and will get it done, somehow. But kitchen porters enjoy the team spirit of a good kitchen, the warmth and companionship of working together towards a very definite goal - the clock on the wall which will herald the beginning of yet another service. As one kitchen porter confided to me, he liked his work because, in one way or another, every day was different - and all chefs are crazy...

Johnson's epic heads a vintage selection

Edmund Penning-Rowell picks the best of a batch of wine books for Christmas reading

HUGH JOHNSON'S *The Story of Wine* (Mitchell Beazley, £25, 490 pages) is monumental in every sense: in historical detail and depth, in world-wide range, in length (250,000 words) and even in weight (almost 200). The work is not only a *tour de force* but a *best of literary stamina*.

Although not directly associated with the author's recent British television series, this provides a kind of libretto and enabled him to visit ancient sources of wine in Transcaucasia, Egypt and Greece as well as providing unusual opportunities to tour wine areas in production today all over the world.

The book is divided into five sections. The first is occupied by wine-making and drinking in the ancient world. The second deals mainly with the Middle Ages and the development of wine trading until the invention in the 17th century of the storable cylindrical glass bottle, which made possible the storage and maturing of wines, especially fine wines.

Then follows a series of chapters each devoted to considerable detail to a single wine and its background, including claret, champagne, port and tokay. The fourth part is taken up with the 19th century and its periods of hitherto unequalled prosperity and of disease-ridden disaster. The final section describes the generally depressed wine industry in the first 50 years of this century, and the New World challenge to the Old, but stops short of the revival of prosperity in the last 20 years and the increase in consumption of better, technically improved wines.

Although the story is told in an easy, unforced style, its denseness as well as its length makes it a formidable read, and in places some historical detail surrounding a wine region or an individual wine might have been reduced to the advantage of the reader. Few, however, will expect to plan an extended gulp; they should use it as a unique work of reference, and one to be absorbed in quaffable quantities rather than swallowed in large draughts.

Earlier this year, in the Pompidou Centre in Paris, was held an exhibition devoted to the chateau of Bordeaux. Supplementary to it was a catalogue, half as a textual accompaniment to the pictures and a verbal enlargement of the subject - distinguished authors were commissioned to write on different aspects of the past, present and future of wine architecture in the Gironde.

All this has now been put together in a finely-illustrated and handsomely-produced book that has been translated into English as *Châteaux Bordeaux*, edited by Jean Dethier, (Mitchell Beazley, £25.00, 259 pages). The contributors include Professor René Fijssion, who writes on the history of the Bordeaux vineyard, Nicholas Faith on the wine economy of the Bordeaux châteaux, and Robert Constet on the wine trade and city of Bordeaux.

However, it is by no means all history. A series of detailed, competitive plans and reports

are reproduced for the reconstruction of the semi-abandoned Ch. Pichon Longueville Baron. Then there are plans and description of the re-development in the famous but run-down Chartrons areas of the premises of the merchants Cruze and de Laze. And, most exciting, a competition was organised for the Paillass property of Duhart-Milon (now belonging to the Rothschilds of LaFite) which has never had a chateau.

Six architects were invited to submit plans for a chateau situated on the banks of the small stream which separates Paillass from St. Estéphe and which is subject to flooding. The stimulating designs, much influenced by the waterside factor, are all reproduced. The winner was the English team of architects, Jeremy and Fenella Dixon, and Mark Piniotti. The whole imaginative project, which took two years to plan and execute, has evolved into a fascinating book.

Rosemary George, who has written an excellent book on Chablis, has in *The Wine Directory* (Longmans, £18.95, 394 pages) produced a comprehensive, alphabetically-arranged work of reference on every aspect of wine: grapes, including the more exotic varieties, vineyards and properties, wine-making methods and terms current all over the wine-producing world. With more than 5,000 entries, the details of many of the French are succinct, informative and critical. The book also makes excellent casual reading.

The third issue of Christie's attractive *Wine Companion* (Webb & Bower, £16.95, 160 pages) has a new editor, Pamela Vandys Price, and a new team of 14 contributors. The other has also written fine articles, including an interview with the oenophile British Ambassador in Paris, Sir Ewen Ferguson. A book for post-prandial bedside reading.

The new edition of Robert Parker's *The Wine Buyer's Guide* (Dorling Kindersley, £14.95, 240 pages) covers more than 100 wine regions, two years ago and covers a rather wider range of vintages; for France mainly the '86 and '88, rather further back for Italy and in greater detail for California, Oregon and Australia.

There are also long notes on vintages and wines recommended by Parker's well-known 50 to 100 scale, less popular here than in the US. His assessments are generally very reliable, though Engel of Alsace is unlikely to take all that kindly to his comment: "I have never felt that Hugel tries very hard with its Riesling" - the wine that all serious Alsace growers treasure most.

Compared with a mere 4,000 wines mentioned in Parker's book, *Oz Clarke's Webster's Wine Guide 1990* (Webster/Mitchell Beazley, £9.95, 482 pages) claims to include more than 15,000. If the tasting is less in depth, the speed of description is breathless and not confined to academic English. But the advice on what and where to buy is sound, as is, in my view, his recommendation to abstain from almost all low-alcohol and non-alcoholic wines.

The *1990 Which? Wine Guide* (Consumers Association & Hodder & Stoughton, £9.95, 704 pages), edited by Roger Vasey, reports objectively on the surprisingly large number of wine outlets in Britain and on the wines from 30 countries that supply them. It provides a useful alliance with *The Good Food Guide*. One point of criticism is that the "best buys" appended to the notes on each merchant's list are almost exclusively restricted to the less expensive wines, and are based on low considered prices. More relatively high-priced wines might be so designated even wines priced upwards of £10.00 can be "best buys".

After nearly 20 years without a serious successor to the late Patrick Forbes' classic *Champagne* (1967), Don Hewison's *The Glory of Champagne* (Macmillan, £18.95, 176 pages) is the fourth new book on the subject in as many years. This suggests that the marked growth in champagne consumption has encouraged a new desire to learn more about this complicated wine.

What does this latest author, a London champagne bar/restaurant owner, have to offer in comparison with the others? It is less comprehensive than Tom Stevenson's *Champagne*, for he writes chiefly about the marques - he particularly favours it - less history-oriented and analytical than Nicholas Faith's *The Story of Champagne*; less adulatory than Serena Saltelli's *A Celebration of Champagne*. However, it is written with enthusiasm in a relaxed, easy-running style appropriate to the subject.

Hugh Barty-King's *The Taste of English Wine* (Pelham



Hugh Johnson: immense work

Food for Thought

Alternative pud...

Giles MacDonagh samples festive desserts

WERE IT NOT for the daily crop of Christmas cards from public relations companies falling with a thud on my doorstep, I should be able to forget about the impending gloom of another British Christmas.

Those cards, that is, and the brooding presence in my kitchen cupboard of a Marks and Spencer "Grand Mariner and Brandy Christmas Pudding with Walnuts and Almonds." Quite a mouthful that pudding, especially after the foie gras, the stuffed goose and the French cheeses (I am still in mourning for unapertained Stilton) which constitute a family Christmas. Not that the saintly pudding is bad - it is actually rather good - but it is not quite the thing for the 25th.

Predictably, the French have strong views about British Christmas puddings. I knew a French family who used to shake with rage when the subject of the Yuletide pudding came up. It transpired that every year they received one in the post, sent by some proselytising English friends. Their furious reaction to this present used to amuse me so much that it was a while before that I discovered why they hated the thing: it turned out they

were neglecting to steam it. There is far less rigour to a French recipe than there is to our formula Christmas dinner: virtually anything goes as long as it is good. Oysters, white bondins flecked with truffles, or foie gras come first; roast lamb, duck, goose, turkey or wild boar comes next, then after cheese, dessert: a *bûche de Noël* or some other delicious pâtisserie bought from the best local baker.

Wholesaler Julian Tomkins, of La Maison des Sorbets, characterises Britain as "a cream-based culture." Twenty years ago, every area in Britain possessed a shop selling gooey cakes surrounded by an inevitable crown of whipped cream. Nowadays, such shops have become a considerable rarity, and French-style patisseries could well become more widespread.

La Maison des Sorbets now employs some 50 chefs divided

between the patisseries and the ice cream makers. Most of his patisseries come from Angers in the Loire Valley and the local spirit - Cointreau - finds frequent expression in their cakes. La Maison des Sorbets' products are available from Harrods, Partridges of 133 Sloane Street, (01 730-0681), and Mr Christian's delicatessen in 11 Elgin Crescent, Notting Hill, W11 (01 229-0573).

Another wholesale patissier who is playing a leading role in the transformation in Britain's cake culture is the wholesaler Michael Nadell in Islington. Nadell points out that the bad times for native cakes occurred during the 1950s when apprenticeships came to an end and the corner shops were replaced by supermarkets selling production-line cakes.

Through his own business he is currently training a new generation of patisseries who are even now making their

mark in Britain. Providing you ring first (01 833-3461) you may obtain Nadell's creations directly from the workshops. Nadell is also currently looking for a site or two on which to install a salon de thé.

One patissier who has successfully translated something of the Parisian idiom to the British capital is Canelle, at 168 Fulham Road, SW10 (01 370-5573). The only fault you are likely to find with Canelle is the ridiculous design which the architect has imposed on the shop. A largely frosted glass frontage effectively prevents you from getting more than a glimpse of what is going on inside. A patissier's livelihood depends on people giving in to temptation. Most of the locals I have spoken to are oblivious to its existence.

This Christmas Canelle is adding *bûches de Noël* (Christmas logs) to their usual range, including one exquisite one flavoured (like M & S's pudding) with Grand Mariner. Another shop in the same area which has been called a *débrouillard* - a man who is told to do the impossible and will get it done, somehow. But kitchen porters enjoy the team spirit of a good kitchen, the warmth and companionship of working together towards a very definite goal - the clock on the wall which will herald the beginning of yet another service. As one kitchen porter confided to me, he liked his work because, in one way or another, every day was different - and all chefs are crazy...

Cookery

Raise your glasses to a pie

Philippa Davenport bakes a tasty seasonal treat

IMPRESSIVE meat dishes have strong associations with Christmas. Roasted swan and peacock have fallen from fashion and few of us have dining rooms sufficiently large for the cortege of trumpeters needed to herald the arrival of a boar's head stuffed with gilded apples, led in procession by acolytes carrying the mustard and salt and followed by the cook finishing the carving knife.

The sideboards of many less than palatial households might benefit, however, from the panache of a traditional raised pie Christmas.

Baked pie (serves 8-10)

Some people like a pork filling best, particularly when it is made piquant by the inclusion of chopped anchovy filets rather than a mere dab of anchovy essence, but our family favourite uses the combination of chicken, bacon, veal and mushrooms given here. For a game pie, whether feathered or furred, simply replace the chicken meat with 1 lb 6 oz of skinned and boned raw game, substitute fat boneless belly of pork for the bacon, use 4-5 tablespoons of brandy instead of lemon juice, and select herbs and spices to complement your chosen game. A hinged and fluted pie mould is the traditional choice for shaping a raised pie but a 9 in round cake tin with spring-clip sides and removable base makes a fine alternative.

For the filling: one 4 1/2 lb roast chicken; 1 lb streaky bacon; 1/2 lb pie veal; 1/2 lb mushrooms; the juice and zest of 2 lemons; a bunch each of parsley, chives and tarragon; 1 teaspoon ground allspice; 1/2 pint well-flavoured jelly stock made from the chicken carcass and a pig's trotter.

For the pastry: 1 lb plain flour; 4 oz lard and 1 oz dripping or butter; 6 fl oz water; 2 eggs.

Skin and bone the bird. Cut the raw meat into slivers and put it into a bowl. Sprinkle with the allspice, lemon zest and juice, toss, cover and leave to marinate in a cool place. Use the chicken carcass and giblets (excluding the liver), and the pig's trotter, to make stock.

Chop the mushrooms and chicken liver. Sauté them in a little butter and set aside to cool.

To make the pastry, first separate one of the eggs and put the yolk into a large mixing bowl. Cover it with the sifted flour mixed with 1 teaspoon each salt and black pepper.

While the pastry rests, lightly grease the pie mould, and finish the filling. Mince the bacon and veal very coarsely, mix these meats with the chicken, add the mushroom mixture, chopped herbs and a lively seasoning of salt and pepper.

Leaving a generous quarter of the dough under the nipped bowl, put the rest into the mould. Shape it over the base, work it gradually up the sides of the mould and extend it nearly 1/2 in above the rim at the top. Work fairly quickly, pressing lightly but firmly with your hands to make the pastry lining smooth and even. Beware hairline cracks, which will encourage juices to leak out during cooking, and thin patches of wall, which could collapse when the pie is unmoulded.

As a further precaution against seepage, brush the pastry lining all over with the leftover egg white. Then spoon



Melt the diced fats in the water in a small pan and bring to a fast boil. Quicken tip the contents of the pan into the flour bowl, stirring the flour vigorously with a wooden spoon as you pour. Keep stirring until the mix-

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IN A CLASSE OF ITS OWN

GRAND PRIX RAMAGE LA BATINSE
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APPELLATION D'ORIGINE PROTÉGÉE

1983

What does this latest author, a London champagne bar/restaurant owner, have to offer in comparison with the others? It is less comprehensive than Tom Stevenson's *Champagne*, for he writes chiefly about the marques - he particularly favours it - less history-oriented and analytical than Nicholas Faith's *The Story of Champagne*; less adulatory than Serena Saltelli's *A Celebration of Champagne*. However, it is written with enthusiasm in a relaxed, easy-running style appropriate to the subject.

Hugh Barty-King's *The Taste of English Wine* (Pelham

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FOR OTHER STOCKISTS

HOW TO SPEND IT

Lucia van der Post picks some potential presents for those who are lagging behind in the run-up to Christmas Day

Last-gasp ideas for the late runners

IT'S THE last lap of the annual marathon known as Christmas. Some there may be who are late, but all bought, wrapped and labelled, whose trees are decorated and food all ordered. Others there are whose lists are still as long as ever they were. For those who have, as always, left the frantic business to the last minute, here are some suggestions that may just solve a few Christmas-related problems.

A very special present would be an original antique American quilt. Susan Jenkins has long been a collector and lover of the genre and this year has a selling exhibition at The Antique Textile Company, 100 Portland Road, Holland Park, London, W11. There are some 100 quilts in the collection, ranging from fairly simple but decent, usable ones at about £300 a time up to the more rare and interesting ones which are in the £2,000 range. Look out particularly for the Princess Feather, worked with padded orange and an interesting scrolling straw pattern.

If Christmas finds you overworked, underplanned and frantic try Shortcut, a new service promising to sort out some of life's small practical difficulties. Shortcut aims to provide any service the client requires, from opening 500 oysters to finding a hand-made suit of armour for a man in Hong Kong (no, they won't say what he wanted it for).

The Shortcut people will find interesting or appropriate venues for parties, big and small, and think of and organise themes, settings and the catering. They'll also find you a cleaner, nanny/maid, do your shopping, window cleaning, decorating and cooking. They will track down theatre and any other tickets, and their latest venture is to deliver, to your door, bought and wrapped presents and stocking fillers.

What I can hear you asking, does all this cost? As each job is different, estimates are given individually, but when it comes to shopping for Christmas presents it will cost about £25 to have three presents bought, wrapped and delivered (on top, that is, of the cost of the present). The price charged per present goes down the more presents you order. Shortcut is at 1 Westgate Terrace, London, SW10. Tel. 01 294-9888.

If you have almost everything you need and there isn't a lot you want, you might like to celebrate Christmas by giving a tree to the nation in honour of your nearest and dearest. Many parks in the UK will go on suffering for years from the devastation of the storms of '87, so those who give new trees can make a real difference to their future. Most parks have schemes; in London you could start with Holland Park. You can either order a tree from a nursery or do it all through Alan Regan (ring him on 01 602-9488) who will organise a site visit, advise on the sort of tree to buy and arrange the planting. Trees cost from about £20.

Perudo is a game with a difference. It is an ancient Peruvian pastime which



Perudo, an ancient Peruvian game, £25 from Inca, 45 Elizabeth Street, London SW1

Hand-knitted Jamie & Jessi Seaton sweater, £250 to £350

Setin evening bag by Prada, £150 (£2 p+p) from Browns, 23-27 South Molton Street, London W1

Velvet or suede pump, £25, Emma Hope Shoes, 33 Armeil Street, London EC1

Tapestry bag, £35 (£3 p+p), The Beeston Place Shop, 52 Beeston Place, London

Gold silk brocade waistcoat, £135 (£2.50 p+p) from The Waistcoat Gallery, 2 New Burlington Place, London W1. Wooden painted cat, £38, Soho Design, 253 Kings Road, London

Three small accessories in faux tortoiseshell. Quartz alarm clock, £24.95; cylindrical lighter, £18.95; solar calculator, £23.95. All can be posted for £1.99 extra each. From Authentics, 42 Shelton Street, London WC2

ILLUSTRATIONS: JAMES FERGUSON

depends on three or more people throwing dice, bluffing and double-bluffing their way to victory. It needs no board and the cups and boxes are hand-made by artisans working in Lima, which adds a certain something to the game. The nicest version comes in a hand-tooled wooden case and leather box and sells for £26 (plus £5 post and packing) but there is a lighter, travelling version in which the throwing cups and the dice come packaged in hand-woven traditional Peruvian wool. This costs £34 (plus £2.50 p+p). Buy either version by person or by mail from Inca at 45 Elizabeth Street, London SW1 or 61 Kings Road, London SW3.

For ethnic presents of a rather high order it is worth knowing about Kikapu in Docklands. This is a new shop fashioned out of the redevelopment of the vanitas of Tobacco Dock, which was originally built between 1811 and 1814 by Napoleonic prisoners of war as a centre for trade in tobacco, wool, skins, marmoset and brandy. There you will now find kilims from Anatolia, baskets from Kenya, painted elephants from Rajasthan, strings of Ethiopian silver and amber, lacquered baskets from Thailand and wedding necklaces of the Masai. Kikapu is at 48 Tobacco Dock, Pennington Street, Wapping, London E1 1AA.

For something hand-knit-

ted or hand-painted go to Mair & Osborne, 138 Regent's Park Road, Primrose Hill, London NW1 8XL. Choose from a hand-painted tie by Georgina von Etzdorf, about £26, or a ravishing hand-made sweater by Mair & Osborne, (formerly better-known as Warm & Wonderful) from £20 to about £200. They do great big thick floral jackets, a marvellously romantic way of keeping warm, from £150. Then there is china by Mary Rose Young - hand-made mugs (£27) and jugs (£46) with three-dimensional roses on them, and some spectacular papier-mache urns by Steve Wright, covered with gold paper, roses, jewels, and sweet-papers (£265).

One truly wonderful hand-knitted sweater makes a sumptuous Christmas present, and Jamie & Jessi Seaton's designs are more sumptuous than most. All have the sort of rich, exotic look that only comes with the one-off. Themes are often based on the rich geometric patterns found in carpets from Turkistan and the Orient, or on the animals, fruits and flowers found in Chinese silks.

Colours are varied - choose from backgrounds of cream, black, purple, cranberry, black-red. Winter sweaters are 100 per cent wool; summer ones come in pure cotton. Prices range from £250 to £350. Among the stockists are Browns 23-27 South Molton Street, London W1 1DA, Paul Smith, 41-44 Floral Street, London WC2 and 23 Avery Row, London W1 and Whistles, Sloane Square, London SW3 and St. Christopher's Place.

If you're looking for something for a chap who likes old-fashioned quality, nothing too strong, but no further than Hackett Shops. Try, for example, a full-length, roll-collared pure wool dressing gown in navy, wine and red with contrasting piping, £79. Then there are seven formal-little pyjamas for those living in draughty stately homes, £46, or plain, white cotton ones with red or blue piping for the more privileged living in centrally-heated suburban villas, £39. Hackett shops are at 68 b New Kings Road, London SW2, 27 King St, London WC2, 12 Holborn Bars, London EC1 and 26 Beatchep, London EC3.

More goodies for chaps can be found at Malcolm Levene, 18-15 Chiltern Street, London W1M. Besides the usual kit - shirts, ties, socks - Levene has some original British railway buttons, a North American Indian penknife (£79), old watches from the 1920s for about £150 a time, and some very dashing dressing gowns (from £125) and silk pyjamas (£285).

Shoppers coming to London and heading for that exclusive little area that takes in Harrods, Harvey Nichols and Sloane Street might like to know that they need not slog from shop to shop carrying ever-heavier burdens. Last Christmas the Hyde

Park Hotel ran what it called a Christmas shopping service for Knightsbridge - weary shoppers could take tea in the drawing room while the packages and parcels they bought during the day were collected for them. It was such a success that they are running it again this year, on every weekday and Saturdays from 3 pm to 6 pm from now until Christmas.

Once you've done your shopping you head for the hotel and there you order tea. At 23 a time you will be served smoked salmon sandwiches, freshly-baked scones with home-made preserves and clotted cream, pastries and a selection of 12 different teas. While you sit in civilised comfort "collection ticket" page boys are despatched to collect your purchases, free of charge. A taxi service on stand-by will pick up guests who need transport from the hotel. You will also be able to buy individually gift-wrapped Christmas pudding, made by the head chef, Ms Bonin.

What could be nicer on Christmas morning than a great big box of perfect apples? Buy them straight from the farm - Charlton Orchards, Creesh St. Michael, Taunton, Somerset (0823 412-979) will post a 6 lb Christmas pack of crisp dessert apples anywhere in the UK for just £7.50, including the postage. Choose from Coxes, Sunams or a mixture of both. With the box comes a helpful leaflet on how to store them (in a cool place).

For chocolates, hand-made crisps and the ultimate taste sensation, Gerard Ronay, son of food writer Egon, went to France to learn the trade and now has his own smart new "laboratory" in north London. A 1/4 lb (about 20 chocolates) is £3.00; a 1 lb box (about 40 chocolates) is £15 and 1 kg (roughly 2.2 lb and about 85 chocolates) costs £30. You can buy direct from his shop at 28 Hartland Road, London NW11 or from Anthony Worrell Thompson's shop, KWT Foodshop, Bellevue Parade, Wiseton Road, London SW17. Ronay will also deliver within the London area for £2.30 a time. For further details telephone 01 267-9782.

If you are going "green" this Christmas then organic food is what you need. Anyone within driving distance of Church Farm, at Strixton, Northants, can find a whole range of produce all farmed and harvested in traditional, organic agricultural ways. The farm is owned and run by Douglas Austin who from his farm shop sells an abundance of home-produced poultry and game (chickens, ducks, geese, pheasant, partridge, bantam, rabbit, pigeon and wild duck), honey, farmhouse cheeses, fresh, organically-grown vegetables, herbs, wild flowers, trees and mushroom compost. Also "pick your own eggs" - free range of course. Church Farm is off the A508 between Wollaston and Bossall. The Farm's shop is open from 9 am to 6 pm Monday to Friday and from 9 am to 5 pm on Saturday.

For the design-conscious set you could choose almost anything from either Oggetti (100 Jermyn Street, London SW1Y 6EE and 133 Fulham Road, London SW3 6BT) or Authentics, Shelton Street, London WC2.

From Oggetti you could pick a set of austere-plain cherry-wood boxes made to traditional Shaker designs (varying sizes, ranging from £17.95 to £40), or one of the faithful reproductions of 1920s Bauhaus toys, including building sets at about £30. Green gardeners will go for the Sissinghurst watering can in a big way (£29.95) while if you must give a toiletry bag, then buy it from Oggetti - with chic stripes or spots, they start at £5.40.

Authentics is the place for all those impeccable small things that the design-conscious love - 1930s-style pens, as well as Mont Blanc and Falkland wonderful vases and cocktail jugs, amazing egg-cups and the most beautiful chandelier I've seen in years.

Authentic greens need not worry too much about chopping down pines for Christmas trees - almost all are grown specially for the purpose and are, in any event, replanted as soon as they are pulled up. According to the British Christmas Tree Growers' Association (12 Lauriston Road, Wimbledon, London, SW19 4TQ) this year's trees are liable to look good but, because of the dry summer, may not have as much moisture in them as usual. So it is more important than ever to buy one fresh and

to mount it in a water-holding stand. Do NOT, if you want it to go on looking good until Twelfth Night, simply plonk it in sand.

Noble firs and Nordmann firs are the names to ask for if you don't want them to lose their needles but these are still hard to come by and are much more expensive (between £30 and £26 each) than the more usual Norway spruce (between £8 and £10). The Fulham Palace Garden Centre, Fulham Palace Road, currently has a large selection - prices start at £17.50 for a 5 ft to 6 ft tree and go on up to £48 for a 10 ft to 15 ft tree.

This is also a good place to go for decorative foliage of all sorts - there are more than a dozen different varieties currently on sale. And for those who believe that Christmas is a time to do more than just indulge oneself and one's family it is worth knowing that The Fulham Palace Garden Centre is run by the Fairbridge Drake Society, a charity concerned with youth unemployment in inner cities.

If you want to know more about how to look after your tree, or if you want the address of a local stockist who will supply you with a fresh one, ring 01 946-2626 or write to the British Christmas Tree Growers' Association for details.

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John Elkington and Julia Hailes
The Green Consumer Guide started the debate. Now take it into the 1990s. Check the latest facts, make the right choices with "this invaluable source of information"
The Sunday Times
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GOLLANZ

The best books to hook cooks

THOSE already aware of either Cooks Books or Jacksons of Ilkley will not thank me for bringing their names to a wider audience. Any current user of their antiquarian or second-hand cookery and wine book catalogues will know just how quick off the mark they have to be to secure an order once one of their catalogues appears.

That these two businesses have prospered in the past 15 years is not only a tribute to the hard work of Tessa and Mike McKirdy at Cooks Books, and Kate and Tom Jackson, but also to our growing interest in food and wine. Both companies number chefs, restaurateurs, wine and food writers among their customers and Tom Jackson cites as one of the perks of his job the chance to swap recipes over the phone. Cooks Books is the older, having started in 1975, and tends to deal predominantly in antiquarian books - their stock is an average 10,000 books. They issue a catalogue three times a year and virtually all their trade is by post - visitors by appointment only.

Their 90-page catalogue ranges from the 16th century to the present and is priced from £1 for *Cooking Guyana Style*, issued by the Guyana Ministry of Information in 1982, to £1,650 for five volumes of Carême's *L'Art de la Cuisine Française au Dix - Neuvième Siècle*. In addition the McKirdys keep their customers on their toes with a schoolmasterly report called "Jottings from the Dean." This gives a brief account of what they have been up to scouring the world,

its libraries and auction houses on their customers' behalf. McKirdy would not be drawn on whether antiquarian books provided a good investment; however he did add that they are in short supply and great demand and that the price should continue to rise if the quality is right.

The Jacksons' catalogue appears five times a year and although smaller, listing 450 books, is just as appealing. Kate Jackson, a former Head of English at south London comprehensive, also runs a children's book list with a catalogue sent out three times a year from the same address.

Because Jackson's catalogue deals in second-hand rather than antiquarian books the prices are lower. There are many at 25 or less; the most expensive in the present catalogue is a 1789 book, *Cookery and Pastry*, written by Mrs Maciver in Edinburgh, for £175. Dealing with Tom Jackson is a delight, his interest in food comes over on the phone, orders arrive lovingly packaged and even his invoices bear a personal touch, written in his distinctive italic script. As the price of good food in restaurants has escalated, the Jacksons and McKirdys may now offer as valuable and lasting a contribution to the world of gastronomy as any top chef. Cooks Books, T and M. McKirdy, 34, Marine Drive, Rottingdean, Sussex BN2 7HQ. Tel: 0273-932707. Kate and Tom Jackson, 22 Parish Ghyl Road, Ilkley, Yorkshire LS29 9NE. Tel: 0943-601947.

Nicholas Lander

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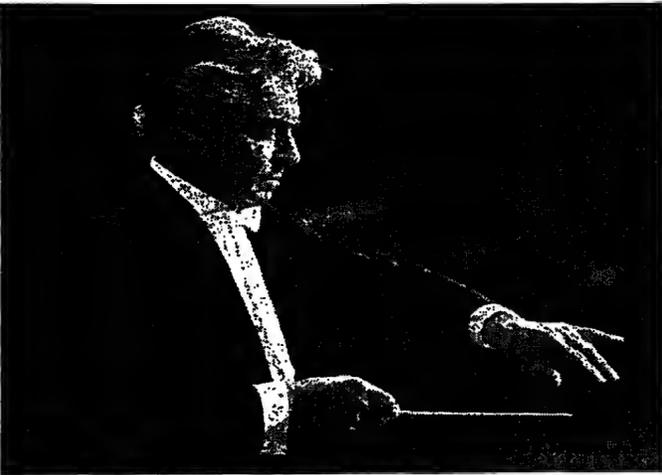
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RECORD REVIEW

CHOICE DISCS OF '89

As the compact disc revolution continues, our reviewers pick out the best releases this year



Herbert von Karajan, who died this year: he left behind a mesmerising *Ballo in maschera*

Max Loppert

THE DEATH of Herbert von Karajan, for much of the century the dominant figure in European music (and to some people an immensely troubling one), was perhaps the most significant event on the international scene. He left behind an Italian-opera recording different in kind and effect from most of the super-luxurious Karajan record productions: *Un ballo in maschera* (DG 427 636-2), genuinely grand in its proportions, sometimes slow but always steady in its gait, mesmerising in its dramatic vision. The cast, led by Plácido Domingo, Leo Nucci, and the magnificently passionate, "personal" Josephine Barstow, sound inspired beyond normal achievement limits.

In the underrated category I would place *Le Comte Ory* — both the work (surely the supreme Rossini comic opera) and the deliciously elegant Lyons Opera performance under John Eliot Gardiner (Philips 422 406-2), which has elsewhere been received with shameful crabbiness by critics who ought to know better. On a lower level — because the opera itself is tish, albeit of a sumptuous late-Romantic kind — is Mascagni's *Iris* but rapturous singing from Iona Tokody and Domingo and a gorgeous account of the score under the late Giuseppe Patané (CBS MEX 45626) will provide sympathetically disposed listeners with some unexpectedly enjoyable *quarts d'heure*.

Other singers I have derived special pleasure from Domingo's latest set of zarzuela excerpts, *Romanzas de zarzuela*, made and offered with no less love and missionary zeal than Rattle's Gershwin (EMI CDC 749148 2); from the EMI References collection of arias and songs, some previously unpublished, by Sena Jurinac, her sweet-sad soprano caught in glorious early bloom (EMI CDH 763199 2); from the dazzling young Italian mezzo-soprano Cecilia Bartoli, whose recital of Rossini airs will have all that composer's adherents jumping for joy (Decca 425 490-2); and from Janet Baker's

1978 collection of Gluck arias, a treasure-trove newly reissued on CD (Philips Baroque Classics 422 950-2).

In addition, Philips put all Shostakovian in permanent debt by making available a 1982 "live" performance (422 442-2) of the Eighth Symphony conducted by its dedicatee, the late Yevgeny Mravinsky, and played by its "home" orchestra, the Leningrad Philharmonic — a performance of spacious vistas and terrifying intensity, a once-in-a-lifetime experience. Leonard Bernstein's second recording of the Mahler Third Symphony (DG 427323-2), also taken "live", stands likewise apart from the common run of popular symphonies in pedestrian studio readings: it fairly blazes.

As a by-product of the recent London Sinfonietta rediscovery of the senior American composer Leon Kirchner, the American company Elektra/Nonesuch have sent across the Atlantic an all-Kirchner CD (979188-2), conducted by the composer and featuring such hard-core gems as the 1960 Concerto for violin, cello, winds and percussion (greatly admired in the Elizabeth Hall), music of distinct character, Haydn-like in wit and toughness, at once fiercely argued and genially approachable.

Outside my normal territory, I must note the latest record by Ladysmith Black Mambazo, *Journey of Dreams* (Warner Bros 935 765-2), an hour's length of simple magic: international fame has brought happy new developments of material and group style, while causing no dilution of native strengths. And for lovers of the blues (the real thing, that is), the new CD label Black & Blue provides a bonanza of reissues: J.B.Hutto, Luther Johnson, Jay McShann, Memphis Slim, and the Koko Taylor (*South Side Lady*, my favourite — 59-542 2), all caught magnificently on the wing.

Rodney Milnes

IT'S EASY amidst a flurry of important opera releases late in the year to overlook earlier treasures, such as the *Wozzeck* recorded live at the Vienna State Opera under Claudio Abbado (DG 423 887-2). Some found both the sound and the conductor's approach too silky, but it is good to be reminded every now and then that Berg was a Viennese composer and wrote beautiful music; the superb, if at times swoony, playing is hard to resist, and

the live performances of Hildegard Behrens and Franz Grundheber in the leading roles are as accurate as they are dramatically alive.

The playing of the Vienna Philharmonic, so crisply defined, so rich tonally, is one good reason for hearing Karajan's last opera recording, *Un ballo in maschera* (DG 427 636-2), and amongst others are the conductor's measured but dramatic pacing of the work, Josephine Barstow's vocally uneven but dramatically white-hot Amelia, and Plácido Domingo's unbeatable (by today's standards) Gustavo. (In parenthesis, Barstow's solo recital on TEE VIR 8307, on which she is in much smoother voice, is well worth searching out).

Domingo is also in Mascagni's *Iris* (CBS CD 45626), a collection of racism and sexism so brutal as to make *Parsifal* sound like the combined work of James Baldwin and Germaine Greer. The performance, conducted by the late Giuseppe Patané and with Iona Tokody in the title-role, is very fine but you will need a strong stomach to be able to take it.

No reservations about *Porgy and Bess* (EMI CDS 7 496682), deservedly the operatic prizewinner in the annual *Gramophone* awards: a 20th-century masterpiece with performances entirely worthy of it from Willard White and Cynthia Haymon, amongst many others, and fabulously played by the London Philharmonic under Simon Rattle.

Any reservations about *Le Comte Ory* (Philips 422 406-2) — such as the absence of French singers and the shade of that nonpareil amongst Rossini conductors, Giuseppe Rossini — must be put in perspective: we have here, for the first time on record, the complete text of this troubadour comedy excellently played by the Lyons Opera Orchestra under John Eliot Gardiner (instrumental colouring always purposefully shaded), good singing from Iona Tokody, Sumi Jo, John Alar, and more than good from Gino Quilico, who could pass for French simply through the pungency of his declamation. The whole is definitely greater than the sum of the parts.

I also enjoyed *Il barbiere di Siviglia* (Decca 452 520-2), mainly because with one exception (Paata Burduladze's Barone Scarpia) the whole cast is Italian, and it is good to hear this old war-horse recited idiomatically sung for once. And indeed idiomatically played, by the Bologna Opera Orchestra under Patané, whose reading is spacious, unhurried and appropriately urbane. The singing is no great shakes technically, save for the recording debut of Cecilia Bartoli (Rosina), only in her early 20s but already an elegant, warm and above all witty Rossini stylist. There should be great things to come from this exceptionally gifted mezzo.

EMI's *Rheingold* (EMI 749683-2), second segment of the Halden *Ring*, is altogether happier than last year's *Walküre*, cunningly paced, lushly (too lushly?) played by the Bavarian Radio Orchestra, smoothly sung by cast including James Morris, Marjana Lipovšek and Heinz Zednik. The only doubts concern Halden's considerate nursing of the authoritative but vocally rusty Alberich of Theo Adam, and the lingering impression that this *Rheingold* is a long hot bath rather than a bracing dip in the uncomfortably icy waters of Morgan Treacher's Virgin Classics' release of

Prokofiev's *Love for Three Oranges* (VCD7 91084-2), sung in the French translation of the premiere by the composer and Vera Janacopoulos, is pure gold, thanks in large part to the outstanding playing (again) of the Lyons Opera Orchestra, this time under Kent Nagano. The reading is lighter, zanier, funnier than that currently heard at the Coliseum, and with such outstanding farcuses as Gabriel Bacquier and Jules Bastin, and such effortlessly mellifluous tenors as Jean-Luc Viala and Georges Gautier, repeating roles they have taken on stage in Lyons and here, this recording should remain definitive for the time being.

One of the most riveting recordings of the year is also the "shortest": Judith Weir's *Three Operas* (Novello Records NYLCD "King Herald's Saga, the Grand Opera in Three Acts for Solo Soprano" (1978), which lasts some eleven minutes, is given a virtuoso performance by Jane Manning, its creator, and it is fascinating to re-hear *The Consolations of Scholarship* (1985), forerunner to the full-length *Night at the Chinese Opera*. The choral *Missa del Cid* (1988), which describes unimaginable slaughter to the background of the Mass, is typical of the combination of detached irony and passionate depth of feeling of the work of the most consistently exciting — and, N.B., economic — composer of music for the theatre writing today.

Among the brave revivals and rescues, Jean Fournet's conducting of four forgotten Berlioz cantatas (Denon CO-7305/6, 2 discs), and thoughtful, and thoughtful to hear, Gerd Albrecht achieves no less for Alexander von Zemlinsky's unlovely opera *Der Traumgeiger* premiered only in 1960, when the composer would have been 109; a fine cast, and a delicately visionary score (Capriccio 10 241/2, 2 discs). Also visionary, cast is Italian, and it is good to hear this old war-horse recited idiomatically sung for once. And indeed idiomatically played, by the Bologna Opera Orchestra under Patané, whose reading is spacious, unhurried and appropriately urbane. The singing is no great shakes technically, save for the recording debut of Cecilia Bartoli (Rosina), only in her early 20s but already an elegant, warm and above all witty Rossini stylist. There should be great things to come from this exceptionally gifted mezzo.

Among many excellent song-recitals on record this year, I particularly admired James Morris's *Wolfe*, Strauss, Mahler and Zemlinsky (Orfeo C176 891A) and Andreas Schmidt's sterling delivery of Brahms' *Die schöne Magelone* (DG 427 334-2). Now we have an extremely attractive pair of Schubert recitals by the mezzo Anna Murray and the tenor Philip Langridge (Hyperion CDJ33003 and 89004) — both



Plácido Domingo stars in *Ballo in maschera* and Mascagni's *Iris*; and Simon Rattle: Gershwin with missionary zeal

David Murray

HAVING BEEN seduced too often this year by rare works on CD, I'm in no position to offer mainstream "best of 1989" suggestions. Better, I think, just to recall a few specially rewarding discs, and then to remark some of the most enticing new releases.

Among the brave revivals and rescues, Jean Fournet's conducting of four forgotten Berlioz cantatas (Denon CO-7305/6, 2 discs), and thoughtful, and thoughtful to hear, Gerd Albrecht achieves no less for Alexander von Zemlinsky's unlovely opera *Der Traumgeiger* premiered only in 1960, when the composer would have been 109; a fine cast, and a delicately visionary score (Capriccio 10 241/2, 2 discs). Also visionary, cast is Italian, and it is good to hear this old war-horse recited idiomatically sung for once. And indeed idiomatically played, by the Bologna Opera Orchestra under Patané, whose reading is spacious, unhurried and appropriately urbane. The singing is no great shakes technically, save for the recording debut of Cecilia Bartoli (Rosina), only in her early 20s but already an elegant, warm and above all witty Rossini stylist. There should be great things to come from this exceptionally gifted mezzo.

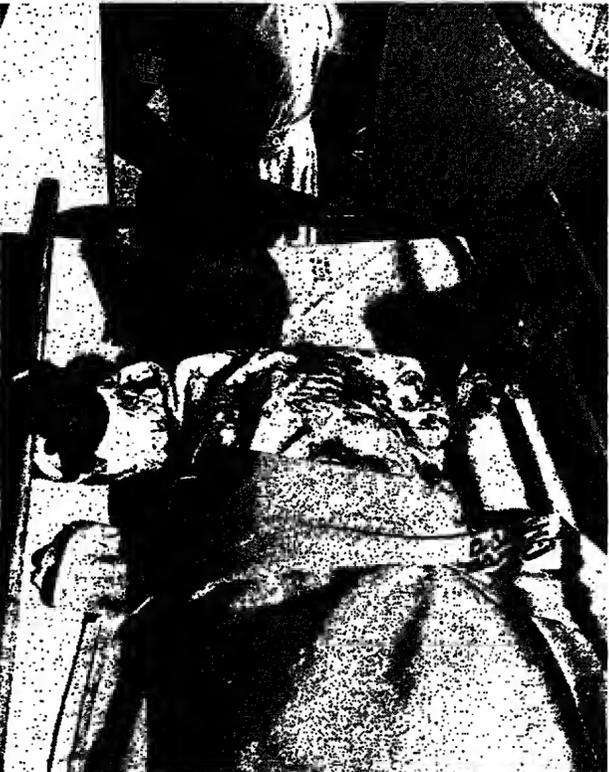
ENO patrons who have revelled in Prokofiev's *Love for Three Oranges* can now hear it in the original French, with the admirable Lyon cast. I praised this summer at Aix led by Gabriel Bacquier and Jean-Luc Viala. The comedy goes with all possible brio; I still think Kent Nagano makes the fizzing score sound a little *stiver* than it really is, innocent of brio, but his precision and clarity tell strongly. It is amusing to compare Richard Strauss's comic vein in his forgotten ballet *Schlagobers*, composed a year after the Prokofiev premiere, and intriguing to hear the continual pre-echoes of later Strauss. A crisp Tokyo performance under Hiroshi Wakasugi is on Denon CO-

79414.

Aix also had the lavish production of Purcell's *The Fairy Queen* from which the music — only one element in the show, but full of marvellous pieces — can be heard on two Harmonia mundi discs (HM 90236, 90237). William Christie leads his period band, Les Arts Florissants, with fanfare and verve; the numerous singers, among them Lynne Dawson and Nancy Argentina, give unflinching pleasure.

Among contemporary works, Sofia Gubaidulina's extraordinary concerto for the violinist Gidon Kremer, *Offertorium*, bears a great deal of listening (DG 427 386-2, with Dutoit and the Boston Symphony); it is a gentle vein of deceptive subtlety; so does George Benjamin's *Antara* (with the London Sinfonietta in Boulez and Jonathan Harvey, too: Nimbus NI 5167). And I have found that the first two "Stratigely Concertos" by Peter Maxwell Davies, critically received with temperate respect, open out beautifully with acquaintance. They are for oboe (Robin Miller) and for cello (William Conway), and the Scottish Chamber Orchestra performances are keenly communicative (Unicorn-Kanchana DKP (CD) 9085). On UKCD2228, they deliver Davies' early Sinfonia as rock for Bishop and Conlon (DGCF 175); and fascinating London Music! accounts of four Malcolm Arnold concertos, with distinguished soloists and Mark Stephenson conducting (CDCF 172), prove that this pawky, highly individual composer is wrongly ignored by those of "advanced" tastes.

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Chess

BRITAIN SCORED a remarkable double triumph in the Infolink European speed championship last week when Jonathan Speelman defeated Michael Adams in the final after they had, between them, eliminated world champion Gary Kasparov and Jan Timman, the world's candidate's finalist. The result provided immediate compensation for the disappointment of the European team championship in Haifa where England finished only eighth behind the medal-winning USSR, Yugoslavia and West Germany.

Speelman's win over Kasparov looked highly improbable in the opening moves where the London grandmaster chose a provocative variation of the Dutch Defence he had played against Timman in the world semi-final. As Kasparov launched an immediate king's side attack, Speelman at first seemed to be in real difficulties; but, suddenly, he countered with a combined rook and knight attack to expose the champion's king.

Kasparov switched to an engine where his two rooks were superior materially to Speelman's rook, knight and pawn; but Black's active pieces more than compensated. Kasparov probably could have drawn but, pressing for a non-

existent victory, he got his rooks in a tangle, which led to material loss. Speelman equalised a winning passed pawn and Kasparov resigned; there was prolonged applause from the spectators.

It was Kasparov's first defeat after 49 match and exhibition games during which he broke Bobby Fischer's all-time rating record. Among British players, only Nigel Short had ever beaten Kasparov, once at Brussels and twice in a 1987 speed match.

Adams' win over Timman was a strangely one-sided game where the Dutchman rushed out a dozen opening moves, only to blunder a central pawn in elementary fashion at the end of the sequence. Timman sought a compensatory attack but it broke down quickly with further material loss and, for the final closing 10 moves, he was struggling on a whole rook down.

The final was a close-run affair. Adams had the advantage in the first game (below), but was held by accurate defence. Speelman also stood worse in the decisive 10-minute blitz play-off before he exploited an error to break through and take the \$3,000 prize.

The Infolink event was played at the Athenaeum club,

London, and will be televised by Thames next spring. Despite the fast time limit of 25 minutes a player per game, the quality was high, notably in Adams' strategic win over Hjartarson of Iceland.

White: M. Adams.
Black: J.S. Speelman.
Firc Defence (Infolink European speed 1989).

1 e4 d6 2 d4 Nf6 3 Nc3 g6 4 g3 Bg7 5 Bc2 O-O 6 Ng2 c5 7 dxc5 dxc5 8 Qxd8 Rxd8 9 e5 Ne8 10 f4 f6 11 exf6 Nxf6 12 Be3 Naf 13 a3 Bf8 14 Rd1 Bxd1 15 Kxd1 b5 16 Kc1 Bc7 17 Bb7 Bxb5 18 Rd1 Rf7 19 b3 b5 20 Ng1 b4 21 axb4 cxb4 22 Nee2 Ne4 23 Nf3.

White seems to have only a tiny advantage in this much simplified position, but creates an attack skilfully. 23 Rd5 with the idea of 24 Ra5 is also dangerous.

23 ... Nac5 24 Bd4 Bf6 25 g4 hxg4 26 hxg4 Ne6 27 g5! Bxd4 28 Nxd4 Nxd4 29 Nef+ Kg8 30 Rd1 Nf6 31 Nf6 Nde1.

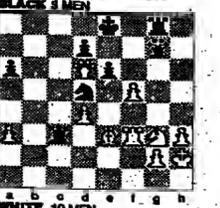
Cool defence against White's threatened mate by Rf7+, Rf7+, Rg7+ and Nf6?

32 Naf6 Nf7 33 Rf7?

Now Black draws comfortably; either 33 Nf4 or Nf3 still gave chances.

33 ... Bf6 34 Nf4 Nf4 35 Nxf4 Kf7 36 g6 Nf6 37 Re5 Nf6 38 Nf6 Kf6 39 Rf7 40 Rf7 41 Kd2 Kf6 42 Kd3

Re5 43 h4 h3 e3 en passant 44 Draw.



A. Yusupov v. A. Karpov, Pilkington Glass world semi-final, London 1986. A missed opportunity from the world champion! Karpov (Black, to play) has rook for bishop and two pawns, and the obvious move is to take White's bishop. Karpov decided that 1 ... Nxf3 2 f6 Qf7 3 Qh8+ and mates or 2 ... Qf7 3 f7+ was too risky, and that 1 ... Rf6 2 f6 Nf6 3 Rxf6 Nf4 4 hxg4 Qh6+ 5 Nf3 Qxf3 6 Nf6+ was a draw. So, he tried 1 ... Qf7 but drifted into a lost position a few moves later. Can you find what the world No. 2 overlooked in his analysis?

Solution Page XVII.
Leonard Barden

RECORD REVIEW

Richard Fairman

THIS WAS the year the record industry awoke to the fact that it is sitting on a hoard of riches greater than even Santa Claus could have amassed.

From Decca/London, for example, we have had a good proportion of the recordings made by Benjamin Britten, both of his own music and that of other composers.

der. The series is so fascinating in its overall design that it will be a temptation to pick one disc every year until completion.

Looking to the future, I am also happy to welcome for the first time on disc the young Italian mezzo-soprano Cecilia Bartoli (Decca 425 490-2).

Andrew Clements

WITH THE back catalogue still being transferred to compact disc at bewildering speed, it would be easy to fill a survey like this with essential releases.

One of the certainties for preservation is the Glyndebourne Porgy and Bess (EMI CDC 748668-2, three CDs), perhaps more for the uniformly flawless casting and Willard White's noble, deeply affecting Porgy than for Simon Rattle's conducting, which despite its vehemence does sometimes mould the music in a self-conscious way.

A welcome return to Barsetshire

Spoken Word: Mary Postgate makes a seasonal selection of books on tape

FOR CHRISTMAS listening, what could be more comfortable than Timothy West's new reading of Franny's Parsonage (Cover to Cover CTC 067), 15 cassettes, 19 hours 40 minutes, unabridged? Published in 1987, this is the fourth in a series of recordings of Barsetshire novels and is full of old friends.

There are three formidable women here, the widowed Lady Lufton, the splendid Miss Dunstable, who is approaching middle age and whom we remember from Doctor Thomas, and Marj's sister, Lucy Roberts, a young woman of spirit.

lur de force from an actor who seems able to identify himself completely with both the author and his creations.

Australian novelist Peter Carey's Oscar and Lucinda, which won last year's Booker Prize, is in the same period but could hardly be more different. It is a vasty entertaining fable about life in Baptist Cornwall and harsh and dangerous New South Wales in the mid nineteenth century.

Edith Wharton (1862-1937), esteemed American novelist and friend of Henry James, wrote fiction that is quite exotic as those inhabited by Oscar or Lucinda: New York high society at the turn of the

discs were uneven, often accepting inferior sound for the sake of the video recording that inevitably was part of the package, but Bruckner's Eighth Symphony (DG 427 611-2, two CDs) overcomes those shortcomings with blazing coherence and again shows the Vienna Philharmonic at its finest.

Undoubtedly the industry's favourite symphonist at the moment is Shostakovich, with no less than four cycles under way, Ashkenazy's Fourth with the Royal Philharmonic (Decca 425 683-2) is the latest instalment of his, holding that range structure together with clear-headed discipline, but why Jerry's profoundly disturbing Fifteenth with the Gothenburg Symphony should appear on DG (427 616-3) when he is halfway through his complete cycle for another company remains a mystery.

Of Rattle's discs with the Birmingham Orchestra this year some have been disappointing, but the orchestral survey of the Second Viennese School, containing Schoenberg's Op.16, Webern's Op.6 and Berg's Lulu Symphony (EMI CDC 748657-2) is an exception, a combination of lucid, accurate playing and naturally expressive phrasing, truthfully recorded. At the opposite end of the orchestral spectrum is Roger Norrington's Symphonie fantastique (EMI CDC 748641-2), a first foray into period-instrument Berlioz and a triumphant one, full of unexpected illuminations and delights, and only increasing expectation for the forthcoming Rinaldo et Juliette from the same team.

Not in my experience a good vintage for the piano, but Rudolf Sackin's wise, compassionate accounts of Beethoven's last three piano sonatas (DG 427 498-2) is precious, and Stephen Hough's Schumann disc (Virgin Classics 790770-2) startlingly mature. I'd hesitate to place Hough's C major Fantasy above, say, Richter's or Pollini's but it belongs in the same company, and his David-bündlerian, perhaps the most elusive of all Schumann's piano cycles, captures the rhythmic nuances and the fragile poetry with unfailing accuracy.

Itzhak Perlman's set of Bach's unaccompanied violin sonatas and partitas (EMI CDC 748489-2, two CDs) is the most distinguished of recent accounts, even if its technical command cannot quite displace Heifitz or the young Menuhin (both recently transferred to CD) in one's memories. Jorma Hynninen's Winterreise (Orfeo CDE 725-2) is a highly personal, deeply tragic version of Schubert's journey, given added point and poignancy by Ralf Gothalmi's continually searching accompaniment. DG's survey of Zemlinsky's songs (EMI CDC 748489-2, two CDs) is a valuable addition to the catalogue, sung with great intelligence by a young team of soloists, even if this latest piece in the jigsaw offers no clearer definition of Zemlinsky's musical personality.



Above: Willard White as a superb Porgy in Porgy and Bess at Glyndebourne; below, the imaginative Laurie Anderson

Finally a quartet of rock albums which ought to qualify for preservation. Simple Minds' Street Fighting Years (Virgin MINDSCD1) at last fulfils the band's immense promise and settles them into the top echelon of stadium rock bands, alongside UB2 but with a greater emotional and political range, while Elvis Costello's Spines (Warner Bros 925 848-2) may nag away at his familiar preoccupations but does so with a sustained verbal and melodic invention that few of his contemporaries can match.

Ronald Crichton

A SURPRISE this year has been the appearance of a work long popular and now long neglected. Reger's Sigurd is a great, big portmanteau of a grand opera packed with spectacle. Not by design (the conception was independent) it covers roughly the same ground as Wagner's Ring from Brünnhilde's awakening onwards. It took Reger about 20 years to finish Sigurd, produced in 1884 at the Monnaie in Brussels. For the next half century, in spite of the superior attitude of French Wagnerians, it was a pillar of the repertory at the Paris Opéra.

and bequeathed him his academician's sword.

The three CDs from Chant du Mond/INA (LDC 278017/19) represent the first complete (or nearly complete) recording, taken from a French Radio performance of 1973 conducted by the excellent Mannel Rosenthal.

Guy Chauvet sings the title role like a true successor to the French line of heroic tenors. Andréa Guiot is the appealing Brunnhilde, a milder figure than her Wagnerian counterpart. Of course Reger is a lesser composer than Wagner, and his librettists much lesser dramatists. But forget Götterdämmerung and Sigurd offers plenty to enjoy.

The unusual CD brings rare recordings by one of the foremost pianists in history and restores to the catalogue an old favourite long absent. Busoni, a Renaissance man born out of his time, had wide interests including machines but excluding the gramophone, a devilish invention which lacks the demonic menace...

These short works, including five by Chopin, whom Busoni played little in public, are an incidental tigger for the current craze for marathon dancing sessions; while the most stylish soul music always seemed to come as a sales gimmick for fashion, which has replaced pop as the obsession of the young.

It is no surprise that the new faces of the year - Soul II Soul and Neneh Cherry for example - look more peripheral than ever. Instead of artists we have trends, notably the continuing strength of "world music"; the surprising persistence of rap; and the immortality of dinosaurs. Unlike other art forms in other historical eras rock music, in its 30-odd years of existence, has never thrown anything away. It is a club that embraces everyone and is particularly proud of its senior citizens, which this year means "welcome back" Jerry Lee Lewis, the Who, Deborah Harry and Neil Diamond.

It would be nice to think that "world music," all those drummers from Morocco and choirs from Bulgaria, was a spontaneous awakening to innocent, authentic, ethnic traditions by the musically satisfied, creatively redundant, West. In fact the record companies, always desperate for a new marketable sound, were instrumental in forcing the exotic on to initially apathetic ears. The outbreak of African music in 1983 failed to catch on but in recent months there has been a genuine popular welcome for the current sounds from Latin American music.

Of course this enthusiasm is built around a dance craze, "Lambada," which adds Latin romance to African rhythms and not surprisingly went down a treat in France. The song "Lambada" has now hit home in the UK, and a good taster of this vibrant, exhilarating, happy music can be found on the album Lambada Brazil.

The music comes from Bahia, the north eastern tip of Brazil and the first port of call for the African slaves. The African influences is strong (perhaps the British public needs some Latin sweetening before it can move on to African music). However, the sounds of Africa have finally moved beyond a cult, thanks, this time, to television. The series Under African Skies did a professional BBC job on the subject, interviewing the musicians on the ground and uncovering the integrity of the art - the commitment of the musicians - and also its weakness - its ready acceptance of western technology. The album of the series (carrying the same title) is particularly intriguing for the tracks from Algeria, of Rai music, the voice of the urban ghettos, and the sophistication of Zaire pop when set against the more pastoral Ethiopian bands sens of stimulating speculation.

In this global musical mystery tour the nations under the political microscope are inevitably the big attractions. Coltrane, an album assembled by Chab Sandino in North London, brings you the hits of Nicaragua, not so much the work of local musicians but the likes of John Lee Hooker and, of course, the Fania All Stars, whose salsa classics are the spice of the country.

Another remote and overlooked territory which has had a good year musically is Manchester. Bands such as Stone Roses and Happy Mondays provide a kind of jangly rock built around psychedelic guitar figures, part influenced by the defunct Smiths and part by the street sounds that currently have the young in their grip. Stone Roses are credited with bringing back faded jeans, a pop fashion accessory sure to ignite the requisite antagonism.

Every decade or so the people claim back the music: first skiffle, then punk, and now rap. Its origin might be Black ghetto America and it is still black dominated but it has brought a new urban art form - part theatre, part music, part dance - to British inner cities which deserves the attention of the Arts Council. Rap can vary quite a bit, from a monotonous drone when not downright threatening in the hands of the political bands like the ex-LA gangsters Niggers With Attitude (NWA). There has been a move towards a "hard" sound during the year - a reaction to the milkshake blandness of kid-next-door stars like Minogue and Donovan.

So far the idea of giving pop back to the people has only got as far as the middlemen, notably the producers - Scott, Aitken, Waterman are still responsible for manufacturing an unprecedented number of pop hits, or the DJs, who have become creative through mixing house records, or sometimes just by being tricky with the equipment, as in the dire concoctions of Jive Bunny & The Mastersmellers.

A more agreeable access into British culture (covering all races) music in 1988 is provided on the album The Freedom Principle, which follows on from last year's success Acid Jazz and Other Illicit Grooves. It is another compilation and includes respected jazz names such as the James Taylor Quartet, but with a wider acid feel. This is the sophisticated end of House music and the dance-till-you-drop craze. It horrifies the Jazz Establishment but it has brought the music to a new audience, keen to test its ears on something tougher than Radio One.

As for the oldies, the Rolling Stones produced their best album for years in Steel Wheels and Van Morrison moved on from Celtic mysticism to Christian inspiration with the fine Anolon Sunset. Lou Reed proved a surprising survivor of the streets with a re-found political stance on New York while Bob Dylan was typically apocalyptic with Oh Mercy. All in all a not vintage year which delegated pop music to a disposable fashion accessory.



The album cover of Lambada Brazil

Antony Thorncroft

THIS WAS the year in which popular music assumed the role of spear carrier for more vibrant art forms. The two most popular singers, Kylie Minogue and Jason Donovan, owe their recording contracts to their roles in the irrepressible television soap, Neighbours; the most talked-about musical trend, "house," was an incidental tigger for the current craze for marathon dancing sessions; while the most stylish soul music always seemed to come as a sales gimmick for fashion, which has replaced pop as the obsession of the young.

It is no surprise that the new faces of the year - Soul II Soul and Neneh Cherry for example - look more peripheral than ever. Instead of artists we have trends, notably the continuing strength of "world music"; the surprising persistence of rap; and the immortality of dinosaurs. Unlike other art forms in other historical eras rock music, in its 30-odd years of existence, has never thrown anything away. It is a club that embraces everyone and is particularly proud of its senior citizens, which this year means "welcome back" Jerry Lee Lewis, the Who, Deborah Harry and Neil Diamond.

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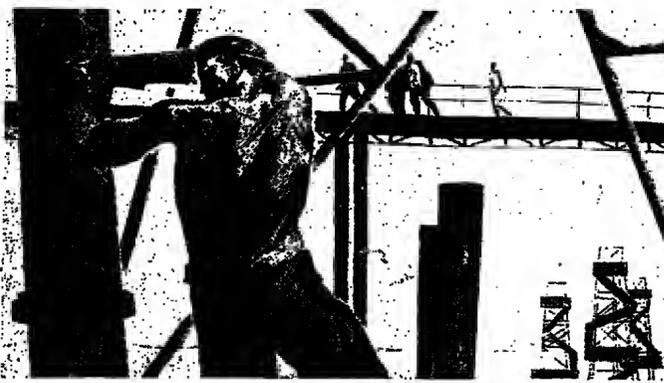
The Soviet bandwagon

Russian art is becoming all the rage, says Antony Thorncroft

ROY MILES is a salesman. Fifteen or 20 years ago he marketed Victorian pictures, and very successfully, too. Along with Peter Nahum, then at Sotheby's Belgraveia (and with some assistance from Jeremy Mass and Christopher Wood) he re-created demand for the disgracefully ignored Pre-Raphaelites, and the High Victorians, like Alma-Tadema. He made dealing fun, thinking it a crime to discuss a painting without a glass of champagne in the hand.

The slump of the early 1980s removed him from the Mayfair scene but he has returned with a spectacular splash, creating in Bruton Street the largest and most lavish gallery in London. It is generally filled, as now, with Russian art: not those Supremacists and Constructivists of the pre-Stalinist years who are so beloved by today's rich buyers of the avant-garde, and who sometimes sell for £500,000, but the output of figurative Soviet artists of more recent years.

"Russia is the last frontier of great art," says Miles. "Every other country and period has been milked, and the best work is in museums. Only in the Soviet Union can you come across top quality art at reasonable prices." It is a beguiling theory. The Russians are a creative people; their art has



'The Filter' by Boris Makuyev, 1961, at the Roy Miles Gallery

been unavailable for over 60 years, and, ignoring the fact that ideology might have crushed inspiration, there must be undiscovered talent there.

When Sotheby's made its tawdry haul in preparation for its dress-through auction in Moscow in the summer of 1988 it concentrated on "contemporary" art, the work of painters influenced by the latest trends in the West but creating within a Russian ethos. Roy Miles exposed himself to the rigours of a Russian buying trip three times a year but seeks out more commercial art. Among the 150 odd paintings hanging in Bruton Street until the end of next week there are plenty of soldiers, pretty girls and Russian churches in virgin landscapes, as well as grimy workers, on offer for prices between £1,500 and £1m.

The £1m price tag is on an undisciplined masterpiece, a portrait by the leading 19th century Russian artist Repin of his daughter and her family. Miles, always prepared to pay out publicly, bought it at auction in New York for \$1m and has sold it on to an investment group who will probably loan it to a museum while it financially matures.

Miles reckons to have sold over two thirds of the show, mostly to traditional clients who followed him into the Vic-

torians. The Pet Shops Boys and Michael Caine are some of the owners of this Soviet art which is often derided by wealthy critics while hitting the spot among the collecting rich. "It has been the biggest success of my life" says Miles. "I have sold a lot to Americans and some to museums - in Los Angeles and Tel Aviv. The Germans have gone for the soldiers and the Swedes for the pretty girls."

Most attention has centered on the Ukrainian artist Sergei Chelukhin, who last year won a Gold Medal at the Salon d'Automne in Paris, where he now lives. He has picked up fourteen commissions, with prices ranging upwards of £20,000, for a style which ranges from landscapes with a Chinese feel to almost symbolist works. Another artist Israel Zohar, whose work links directly with the Old Masters, notably Vermeer, will soon be painting a leading Royal, thanks to a Regimental commission.

After the large Soviet show Roy Miles will be hanging a hundred paintings gathered during a sweep through Latvia. Then it will be the turn of the Ukraine and another comprehensive exhibition next summer. The quality may be variable; the ramifications with the artists and the Soviet Ministry of Culture obscure; the artistic relevance of some the paintings slight. But on the political and social level Roy Miles has done it again. He has spotted a bandwagon when it has just started to roll and is keeping it well oiled.

Miles may be the flashiest purveyor of Russian art but he is not the only one. Currently in London there are shows at the Omell, Merz, Cooling and Century Galleries and the ealeroome have regular auctions. Sotheby's has a week

The power of geometry to order the world

Colin Amery on Inigo Jones at the Royal Academy

AT LAST it's here. It has been touch and go whether we would have the opportunity to see the complete architectural drawings of Inigo Jones in England after their triumphant showing in New York early this year. They are now at the Royal Academy, rescued by a noble band of sponsors in the nick of time. How strange it is that the complete group of drawings assembled in a scholarly fashion from three main collections in England - Worcester College Oxford; Chatsworth; and the Royal Institute of British Architects - has never before been seen together in England.

The President of the Royal Academy was right when he described Inigo Jones (1573-1632) at the opening dinner as a "strange" man. He was an artist, architect, masque designer and a curiously practical-minded wit with learning. And yet there is often a suggestion of a powerful belief in a Divine Order, and the power of geometry to order the world.

In the exhibition - Inigo Jones: Architect at the Royal Academy of Arts, Piccadilly, London, W.1. Until February 25, 1990 - there is a chance to observe a Renaissance architectural genius at work. You can observe many facets of

Jones's character and actually see the quality of his work changing and improving. I suppose it is because the Academy is largely governed (and quite rightly) by artists that they have adopted an approach to Jones that suggests he is a slightly fragile old master. Indeed the President said, presumably in a moment of enthusiasm, that he saw Jones as "England's Leonardo."

England's Vitruvius, yes, but his artistic gifts do not match those of Leonardo.

It is difficult to make architectural drawings immediately appealing to the public. They need contextual material and support in the form of photographs and models. Jones really does need placing in the context of his work as an artistic and architectural mission. The catalogue, by John Harris and Gordon Higgin, the last word on Jones the architect and is a rewarding read. But it is important to see these well displayed and lit drawings as the vital documents in the 17th century transformation of architecture.

It would have been helpful to see some contemporary engravings of a view of Whitehall from the Thames. Holbar's view gives a sense of the incredible sight of the new Banqueting House towering above the almost medieval London houses. Not only was

his scale extraordinary; it represented a vision of a new civilisation.

After his two extensive tours of Italy Inigo Jones became the Surveyor to King James I and Queen Anne of Denmark. He was to build the Queen's House in Greenwich; make some alterations of a minor kind to Oatlands Palace in Surrey; and plan a new Star Chamber of a grandeur that would have been unsurpassed if it had been built. He did see his Banqueting House in Whitehall completed and he gave the Stuart Kings what was, in fact, a great throne room with a painted ceiling.

The history of this, the first Palladian public building in England, is still mysterious. While it is wonderful to see the series of drawings from Chatsworth, the RIBA and the Pier report 'Morgan' Library, the persistence of the idea of visiting the building itself should not be forgotten. It is interesting to notice how Jones had the Banqueting House built in stone polychromy. It is Sir John Soane that we have to thank for the blank presence of the hall: he removed the variety of stones and put the Banqueting House into a Portland stone overcoat. If you want to see one of the original capitals that Soane removed, it lies in the basement of the Soane Museum in London.

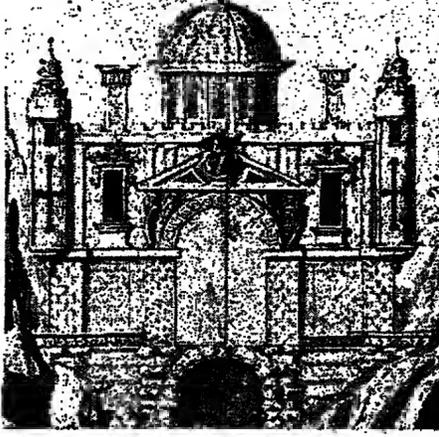
When Jones became Surveyor to King Charles I and Queen Henrietta Maria in 1625 he did major work for the Queen at Somerset House and Greenwich, and the remarkable chapel at St James's Palace. This great double cube room now has later fittings, but a visit there to see Jones's huge and dignified coffered barrel vault gives a sense of both his pioneering classicism and the dignity of the Stuart court.

Another drawing that has an almost magic quality is the one selected for the poster of the domed catalogue of James I. This is one of the drawings sent by Worcester College (the drawings had until recently been firmly stuck in albums) and it is magnificent. It shows both Jones's gifted drawing, particularly of the figures, and his sense of Roman history. James I's tomb (in 1633) was described as "the greatest indeed that was ever known in England." Jones ensured that the King was buried almost like a Pope; the catalogue represented the life of a monarch in whose reign the antique virtues had been reborn.

Alongside his work as an architectural propagandist for the glory of his monarchs, Jones can also be seen here as a cool and measured simple classicist. His love of Palladio gave the English architectural Renaissance an ordered base. His experience as a designer of masques (and there are some 450 surviving masques, drawings, of which only a very few are shown here) gave English artistic life an Italian richness that was to lead to the Baroque.

How timely this exhibition is as a reminder of the richness of our architectural tradition, and how appropriate that it is being shown in Burlington House. It is a perfectly sited exhibition arranged in a way that makes the visitor draw his own conclusions about Jones, and an brilliant reminder of a man who shone like a jewel in the 17th century and yet is centrally relevant to the architectural debate today.

The exhibition is sponsored by Intercraft, Kleinwort Benson, The Economist and The Financial Times. The catalogue is sponsored by The Building Centre Trust.



Inigo Jones's design for Oberon's palace in Scene 2 of 'The Fairy Prince'



Van Dyck's portrait of Inigo Jones, which is coming to the exhibition from the Hermitage, Leningrad

Glasnost over the Wall

WEST BERLIN has become an entrepot for what is now a hot commodity - Russian art. Art-objects of national importance cannot legally leave the Soviet Union, but the growing galleries in Cologne, Düsseldorf and other German cities have climbed on the bandwagon.

Sergei Popov is a manifestation of a capitalist revolution now well under way in the Soviet Union. Until a few months ago the Deputy General Director at the Soviet Ministry of Culture, Popov now heads Pallira, a private Soviet-German art-dealing company. His first exhibition *Modern Russian Art* - showing 400 works by 30 living Soviet artists was seen at Mariendorfer Damm 1-3 in West Berlin in November. A similar show of Georgian artists will run at the same location from December 10-22. Doves of artists, according to Popov, from Azerbaijan, Tashkent, Uzbekistan and elsewhere await the chance to

exhibit in the West if comparable exhibitions can be arranged.

At the *Modern Russian Art* show, the mainly abstract paintings were of mixed quality; prices ran from £300 to £5000. There were intensely worked semi-abstract pieces by Igor Mordkhai selling at around £2000, roughly what his work fetched at a recent Paris auction. Some decorative but strong reveries by Natalia Tolstaya were on offer at £1000 upwards. A series of powerful images by the 26 year-old Yevgeny Wachtangov were priced at £2000 to £4000. Some fine and subtle landscapes by the veteran artist Naumneftin were selling for around £1000.

Nobody doubts that 20th century Russian and Soviet includes important work. Some truly great artists have been recognised in the West, but thousands more competent ones have not. In the 1980s the

avant-garde art of the 1920s was thrown into museum basements or burnt along with the equally "degenerate" icons. The export of this avant-garde art is now strictly forbidden.

Prices for all good Russian painting are rising, yet even now look cheap alongside the better-known European and American schools. Collectors generally are having to focus on the mainstream of Russian artists. The challenge is to spot artists who brought some original vision to their work.

Natan Fedorovskij quit the Soviet Union nine years ago, when Brezhnev briefly lifted the Iron Curtain ahead of the Moscow Olympics. Though now established as the foremost Berlin dealer in avant-garde art, he often runs across the "bourgeois" collector. At his gallery at Leibnizstrasse 60 recently he had sold DM5000 in cash; he had heard

that Russian art was hot; he wanted to buy a piece no longer than 1.5 metres. His living-room, he added, had red curtains.

It is now the "other" kind of art that promises to interest Western collectors most - the radical, underground, avant-garde, dissident, the unofficial. Eva Poll, another serious Berlin dealer recently had a show at Lintowplatz 7 of four Soviet artists including Maksim Kantor, whose devastating images of a "psychiatric" hospital ward apparently left the Soviet Union with official approval. Another artist, Igor Kopystiansky was showing a sequence of ironic reactions to the Leninist concept that art should have a function, using paintings as covers for chairs, as wall-paper and table-cloths.

Art of all these kinds is streaming across the Soviet border into the West. Nobody knows how long Gorbachev

will last, nor what system might replace him. But everyone sees the window of opportunity is open.

Nobody sets much store by the prices achieved for living artists at Sotheby's Moscow auction of July 1988. It was a laudable initiative which became a media event. Every effort was made, including some spirited bidding by Sotheby's owner Alfred Taubman, to make it a success. The sale total only exceeded Sotheby's estimates by over 200 per cent.

In the absence of other guidelines, Western dealers have simply been buying cheap and finding a market level in the West by trial and error. This has proved to be quite a few hundred per cent above the buying price. News of dealers' selling prices is now reaching Soviet artists who are torn between sticking out for a better deal and their desperate need for Western currency and recognition. At least, so far as one can tell, Soviet artists may now paint as they wish.

Robin Duthy

Artists respond to Trust

THE SETTING up three years ago of the National Trust's Foundation for Art was one of those initiatives that, once taken, seemed so obvious that the only wonder was that it had not been taken long before. It was always nonsensical to suppose that contemporary artists had no real interest in the Trust and would not offer some response to their enjoyment of its properties. Turner certainly suffered no such prejudice or inhibition when at Petworth as the guest of Lord Egremont.

Salute to Turner now at Agnew's (43 Old Bond St. W1. until December 21) is both an exhibition and auction to raise money for the Foundation for Art. Artists of all kinds will then be commissioned to produce work at and for particular properties of the Trust. Many of those houses are stuffed with art that was the contemporary art of the collectors and connoisseurs who bought it. All art was modern once.

The response of artists to the advisory committee's invitation to take part has been remarkable both in its enthusiasm and its generosity. The work in the show covers the widest range, from the academic and strictly topographical to the expressionist and abstract. Some artists have addressed themselves to Turnerian subjects - Venice, Thames, the Sea, the Sunset; some to Turner's methods and his properties. Turner certainly suffered no such prejudice or inhibition when at Petworth as the guest of Lord Egremont.

Purchase is by silent auction: the current bid above the reserve is posted beside the work which can be raised, under Christie's supervision, at any time before the sale is closed on the evening of December 21. All current bidders will be invited to that

party. The final hammer falls at 9pm. The whole enterprise - catalogue, show and sale - has been generously sponsored by more than 50 companies of all kinds. As a committee member, I can say no more.

The Auld Alliance, (Scottish Gallery, 28 Cork Street W1. until December 23), is another exhibition so obvious in its idea as to be surprising. The francophilia of the Scots has always been notorious and confirms the convenient law of the interval: that one nation gets on well with its opposite number on the farther side of any mutual neighbour. Here is a loose anthology of the work in France of Scottish artists in the 20th century, from Peopie and Ferguson before the First World War to Lucy Rose, who left the Royal College only last year. In between come fine things from MacTaggart and

Hunter, Eardley and Gear, Grant, Knox and Crozier; Barbara Rae's large, collage painting of a Dordogne garden (1988) is very impressive, Elizabeth Blackadder's bright yellow landscape (1961) beside it, quite outstanding. It stands as a forcible reminder of how free and radical a painter she has always been.

Morris Kestelman, now showing at the Boundary Gallery (96 Boundary Road NW8), is 84 and one of those artists so typical of the British art world, who have spent a life-time in the respect of their peers, have been influential in their teaching, and yet remain virtually unknown in their work. The show is intriguingly retrospective, going back to 1931 and to two youthful townscapes in the South of France, painted in open homage to Cezanne, and of remarkable maturity - sub-

tle, delicate and as solid as their subject in their visual construction.

Most of the work dates from the 1950s, much of it figure composition of French landscape subjects, workers of the fields and vineyards, of a markedly neo-romantic character. The obvious association is with the work of such artists as Cezanne, Ayrton, Vaughan and Hinton, and much of the conventional illustration of the figure, is distinctive and assured. None of the works is aggressive or out of scale. Kestelman comes of a generation for whom a canvas 3 feet by 4 was rather large, and how refreshing that is.

William Packer

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Small, elegant and exquisitely crafted

Susan Moore at the Cartier exhibition in Paris

are, in the main, small, elegant and exquisitely crafted. The emphasis of this retrospective, dating from the firm's foundation by Louis-Francois Cartier in 1947 until 1989, is on originality of design rather than the value of the materials. Apart from a lavish Second Empire amethyst parure, Merle Oberon's whopping emeralds, and the Duchess of Windsor's egg-size, panther-mounted cabochon sapphire, there is little in the way of serious rocks.

Materials were often simple or inexpensive. Brilliant, rather than diamonds, are much in evidence, as is jet, lacquer, rock crystal and coral in the Art Deco years. Brilliantly coloured enamel was used to great effect over engine-turned chasing, lending opulence to the cigarette cases, lighters and clocks of the 1920s.

In the early years, however, the use of materials is limited, as is the aesthetic. Certainly there is no indication here of any brush with Art Nouveau. There is none of Laigue's ingenious exploitation of materials such as horn, opal, moon-

stones, mother-of-pearl, pique-a-jour enamel and baroque pearls. But the Cartier clientele must always have demanded gifts - and superlative craftsmanship, for Cartier's work is flawless; stones are perfectly matched and the metalwork a miracle of precision.

Louis Cartier, grandson of the founder of the firm, was the innovator. He gave us the strap watch, no less, an invention inspired by a pilot friend who found the conventional pocket watch inconvenient. He was also the first to use invisible mounts, and to use platinum with diamonds. To Cartier too goes the creation of the famous mystery clocks, the transparent rock crystal faces

of which give no clue as to how the hands are turned.

Louis's inventiveness travelling inspired an eclecticism sources which continued through the firm's history. Cartier workshops have produced anything and nearly everything from netsuke to a bracelet *soudanais* and a Sioux Indian brooch. The decorative arts of Egypt and India, the Orient and Islam have all been looked, studied and their styles translated into a modern idiom.

The Cartier brief has always extended to whatever its clients or duty - demanded. In 1942 the firm designed the Croix de Lorraine, the symbol of the French resistance. It also produced a star-studded hebron for Maréchal Foch.

Designs and correspondence, drawn from the massive Cartier archive, line the walls and link up with the objects, documenting the nuances of changing fashions in design and materials. The exhibition, which continues until January 28, holds a gleaming, century-wide mirror up to society.

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SPORT

Cricket and a change of sex

Teresa McLean on women's enthusiasm for 'an elegant and manly recreation'

I CAN'T put it off any longer. It is time I wrote something about women and cricket. Not women cricketers in particular, though they are central to it, but the whole spectrum of women cricket lovers, from players and umpires on the field of play to body builders, girlfriends and all the other female enthusiasts off the field who enrich cricket and its culture unacknowledged and as unpredictably as their male counterparts.

English women put English men to shame in their Test matches: their overall gracefulness of play; their well-thought, subtle, slow and spin bowling, and their use of the feet, especially against slow bowlers. This style of cricket is rare at the Test match levels of the men's game which has sunk like its beer, to medium pace ordinariness.

The Wiles and the Grace attitude are versions of the no-compromise approach among women cricketers which has done well for men and kept women safely limited to women's cricket. It is just as well women's cricket at Test level is single sex because the divided skirts worn for the purpose today would only distract men as grimly as a sore throat distracts a singer.

meeting of Lancashire County Cricket Club helped to break down the unfinishing masculinity of the club's full members. A century and a quarter of exclusively masculine membership was clean bowled by a lady who told those listening that she was already a full member of their club, and had been for over a year - despite being a woman.

Her femininity had been achieved through a medical operation seven years before but officially she still counted as a man - a sex change is not a run-of-the-mill event yet certainly not in Lancashire - and she had applied for full membership last January, as a man. She got it, and now any other woman wishing to join can do so, lest Lancashire be accused of favouritism.

rather leave that distinction to the South, where women in city suits reassure the Northerners that women are best kept where they are, which is out of the action. An elderly lady at Headingly last summer shook her head as I went to talk to Allan Border about the Australian 90-ists' prospects. They had 120,000 off to a list and the lady told me I would do better if I "steered clear of all that." It can be comfortable to settle into an understanding corner where the only competition is to make the tea, but if one is going to try and enjoy watching, it is not playing, cricket, Australia is a good place to start because their female cricket fans are brought up fighting for everything they can get.

Time to get out the butterfly net

John Barrett watches the Davis Cup final

ANYONE WHO is fortunate enough to have experienced it will tell you that there is nothing to compare with that special feeling - an amalgam of pride, apprehension, tension and determination - that sweeps through the body when you are representing your country at sport. The athlete either produces an inspired performance or is inhibited to the point of incompetence.

to the Swedes in Munich. That was the year when Boris Becker precipitated the German tennis boom by winning the first of his three Wimbledon singles titles when he was just a lad of 17. That he had been played on a lightning-fast carpet court designed to help Becker's powerful game. Becker's team mates on that occasion were Michael Westphal in singles and Andreas Maurer in doubles. Although Becker had beaten both Mats Wilander and Stefan Edberg, Westphal had lost to both Swedes. Anders Jarryd had not been fit to play in the crucial doubles rubber with Edberg but Wilander and Joakim Nyström had filled the breach and their greater experience had been too much for Becker and Maurer.

with the tennis." I remember his reaction to this display of nationalism. "It was frightening. When I looked into the eyes of my fans I thought I was looking at monsters," he said. "Their eyes were fixed and had no life in them. When I saw this kind of blind, emotional devotion, I could understand what happened to us a long time ago at Nuremberg." Boris was growing up fast. What a difference three years make. Last December, on the slow European clay court that the Swedes had laid specially, a stronger, wiser Becker had the inner strength to survive against a hostile crowd. Alongside him now he had the tough little Stuttgart left-hander Carl-Uwe Steeb and the gifted doubles expert Eric Jelen. These two young men were both products of the thorough German development programme, planned by Dr. Hans-Joachim Pflüg, a Yugoslav-born left-hander who will go down in tennis history as the man whose suspension by his national association in 1973 precipitated the player boycott at Wimbledon.



Edberg: without his British coach for the Davis Cup

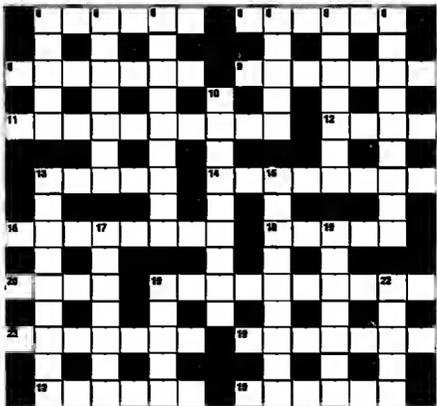
played yesterday, were identical to the first two rubbers of 1988: Steeb v Wilander and Becker v Edberg. Before yesterday's match, Steeb and Wilander were 1-1 in career meetings, but those encounters

ber of the 1972 Davis Cup final in Bucharest. The whole of Romania was consumed with Davis Cup fever. The factor Nastase and Ion Tiriac were emblazoned everywhere. Such was the pressure that Nastase cracked. The sheer weight of national expectation was too heavy a load for the gifted Romanian to carry. He lost the opening rubber to Smith and the Americans eventually won 3-2. But what of Wilander's form? The 1989 world champion has not won a tournament since September 1988 and has seen his ranking slip from No 1 to No 11. Desperately short of match play, Mats has at least one good racket which he had abandoned in pique at the end of 1988 because the company (with whom he had been associated for more than five years) would not renew his contract. More importantly, he has regained his zest for competition. However, the fast surface could well have been the deciding factor here.

won splendidly in three. Missing from the Edberg corner will be his British coach, John Barrett, which could have an important psychological effect on Edberg's performance. For today's doubles the Swedes have nominated Jarryd and Jan Gunnarsson. However, if they are 0-2 down, I believe the astute Swedish coach, Jan Anders Sjogren (who is also Wilander's coach), will change his pining to Edberg and Jarryd - as he is allowed to do up to one hour before the start. On all past evidence these two, who are former US and Australian Open champions and the winners of two Masters titles, should beat Becker and Jelen today. If the score after the singles is 1-1, Sjogren may decide to rest Edberg and let Gunnarsson have his chance. In tomorrow's reverse singles Becker plays Wilander first and may have the honour of opening the returning rubber for Germany. If the teams are level after four matches, I would expect Edberg to clinch the tie for Sweden. Any or all of these prognostications may come unstuck, for Davis Cup ties are notoriously difficult to forecast. But of one thing I am assured: you, if the whole thing comes down to that last rubber, a squadron of butterflies will be fluttering about the stomachs of the two protagonists. The winner will be the man whose butterfly net is working best.

CROSSWORD

No. 7,117 Set by DINMUTZ. Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Thursday December 23, marked Crossword 7,117 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday December 30.



ACROSS
1 Reserved visits, sort of square (5)
4 Ensure has ram in a state of repression (4-2)
8 Beethoven's ruler? (7)
9 They admit blame for renal-dial treatment (7)
11 Sloppy fiddler for Chesterfield, for example (5-5)
12 Fearsome monster makes some green (4)
13 Cures difficult affliction (5)
14 Met figure of painter in autumn (5)
16 The punch for swinging parties? (5)
18 Fall-out, we hear, from etom (5)
20 She a naval architect? (4)
21 Pass intended, would you say, as a piece of corruption? (10)
23 Husbandry in distant China (7)
24 Mount up (7)
25 Rodney adrift over there (6)
26 Announces conditions (6)

TELEVISION & RADIO

Television and radio listings for Saturday and Sunday. Includes sections for BBC1, BBC2, Channel 4, Granada, HTW West, Radio 1, Radio 2, Radio 3, Radio 4, Radio 5, Radio 6, Radio 7, Radio 8, Radio 9, Radio 10, Radio 11, Radio 12, Radio 13, Radio 14, Radio 15, Radio 16, Radio 17, Radio 18, Radio 19, Radio 20, Radio 21, Radio 22, Radio 23, Radio 24, Radio 25, Radio 26, Radio 27, Radio 28, Radio 29, Radio 30, Radio 31, Radio 32, Radio 33, Radio 34, Radio 35, Radio 36, Radio 37, Radio 38, Radio 39, Radio 40, Radio 41, Radio 42, Radio 43, Radio 44, Radio 45, Radio 46, Radio 47, Radio 48, Radio 49, Radio 50, Radio 51, Radio 52, Radio 53, Radio 54, Radio 55, Radio 56, Radio 57, Radio 58, Radio 59, Radio 60, Radio 61, Radio 62, Radio 63, Radio 64, Radio 65, Radio 66, Radio 67, Radio 68, Radio 69, Radio 70, Radio 71, Radio 72, Radio 73, Radio 74, Radio 75, Radio 76, Radio 77, Radio 78, Radio 79, Radio 80, Radio 81, Radio 82, Radio 83, Radio 84, Radio 85, Radio 86, Radio 87, Radio 88, Radio 89, Radio 90, Radio 91, Radio 92, Radio 93, Radio 94, Radio 95, Radio 96, Radio 97, Radio 98, Radio 99, Radio 100.